

# **Supplement to the 2007 Annual Report to the Illinois General Assembly on Insurance Cost Containment**



Rod R. Blagojevich, Governor

Dean Martinez, Secretary  
Michael T. McRaith, Director of Insurance



# Illinois Department of Financial and Professional Regulation

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## Division of Insurance

ROD R. BLAGOJEVICH  
Governor

DEAN MARTINEZ  
Secretary

MICHAEL T. McRAITH  
Director  
Division of Insurance

August 2007

To the Honorable Members of the General Assembly:

The Illinois Insurance Cost Containment Act requires the Director of Insurance to submit an annual report to the General Assembly by April 15th containing his analysis of the Illinois insurance market and his recommendation of the most appropriate and comprehensive cost containment system for the state (Article XLII, 215 ILCS 5/1202(d)).

In accordance with the requirement of Section 1202 of the Illinois Insurance Code, I submitted the Annual Report to the General Assembly on Insurance Cost Containment for 2007 on April 15, 2007. It contained significant information on both a nationwide and Illinois basis regarding the underwriting results for the property and casualty insurance industry for the year 2005.

In the cover letter for the 2007 Annual Report, I reported that I asked my staff to provide a supplement to this report, which would include 2006 and later data and information. This document supplements the 2007 Annual Report.

Sincerely,

Michael T. McRaith, Director  
Illinois Division of Insurance

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## Purpose of This Supplement

The Division of Insurance is required by statute to submit an *Annual Report to the Illinois General Assembly on Insurance Cost Containment* by April 15<sup>th</sup> of each year. Because much of the insurance company financial data necessary to compile the report are not available until March 31<sup>st</sup>, some information in the Annual Report is nearly 18 months old at the time of publication. For example, the Annual Report submitted on April 15, 2007, summarized insurance information for calendar year 2005.

However, with the significant changes in the property and casualty insurance markets over the past several years, the Division believes a more timely review of the Illinois insurance marketplace is in order. This supplemental report looks at market conditions occurring during 2006 and the first several months of 2007 to provide a more accurate assessment of the current Illinois property and casualty industry.

Note: Some of the data included in this report is the same as that reported on April 15, 2007. This redundancy is primarily found in the information derived from the data filed pursuant to the Cost Containment Act.

**Overview**

This supplement to the April 15, 2007 report contains information and data for the year 2006 for the following lines of business: Homeowners, Private Passenger Automobile, Commercial Automobile Liability, Workers Compensation and General Liability.

As reported by the Insurance Information Institute (I.I.I.), the financial performance of the property/casualty insurance industry in 2006 was generally excellent. Overall profits of the industry rose from \$44.2 billion in 2005 to 63.7 billion in 2006, an increase of over 44 percent. The reduction of catastrophic losses from \$61.9 billion in 2005 to \$9.2 billion last year is commonly cited as the primary reason for the surge in profits. Additionally, the industry experienced favorable underwriting results in virtually every key line of insurance, including automobile insurance, commercial liability, and workers compensation.

As reported by the I.I.I. the average American homeowner insurance premium rose 6.00 percent to \$835.00 in 2006. The institute predicts an average homeowner rate increase of 4.00 percent in 2007. Losses incurred as a percent of earned premium for Illinois consumers were 61.74 percent in 2006 compared to 45.61 percent in 2005.

According to the I.I.I. overall Americans saw auto insurance expenditures rise just 0.5 percent in 2006 and they can expect to see a fall 0.5 percent in 2007, the first decrease since 1999. Losses incurred as a percent of earned premium for Illinois consumers remained virtually unchanged at 57.77 percent in 2006 compared to 57.45 percent in 2005.

In the Workers Compensation line of business, the loss ratio for Illinois exposures continued to deviate from the national average. Losses in Illinois were 74.2 percent compared with nationwide losses of 64.7 percent in 2005. In 2006 workers comp losses in Illinois were 82.3 percent compared to nationwide losses of 59.0 percent.

## DIRECT PREMIUMS WRITTEN AND LOSS RATIOS BY STATE

**Figure 1** shows a breakdown of total direct premium written (DPW) and losses incurred for the property/casualty industry by state from 2002 through 2006.

Direct written premium in Illinois totaled \$21.2 billion in 2006, representing 4.2 percent of total written premium nationwide. Property/casualty losses in Illinois were 56.3 percent of direct earned premium in 2006. The loss ratio in Illinois has decreased each year over the past five years.

**Figure 1**

### Total US Property/Casualty Industry (\$ In Millions)

#### State Distribution and Loss Experience

Rank	State	\$ 2006 DPW	% of Total DPW					*Direct Pure Loss Ratio (%)					5 Yr. Avg.
			2006	2005	2004	2003	2002	2006	2005	2004	2003	2002	
1	California	63,369	12.6	13.1	13.9	13.3	12.7	46.0	51.8	53.4	62.9	72.0	57.2
2	Florida	39,045	7.8	7.3	7.5	7.2	7.1	46.0	87.9	62.1	60.4	70.5	65.3
3	New York	36,439	7.2	7.1	6.9	6.5	6.5	52.4	54.3	115.2	52.2	61.3	67.0
4	Texas	34,747	6.9	6.7	6.9	7.0	7.1	49.8	63.4	49.5	62.8	78.5	60.8
5	Illinois	21,154	4.2	4.2	4.5	4.7	4.6	56.3	56.5	62.1	70.1	75.2	64.0
6	Penn.	19,992	4.0	4.0	4.1	4.0	4.0	54.3	58.7	63.5	66.9	76.0	63.9
7	New Jersey	17,357	3.5	3.5	3.6	3.4	3.5	56.4	60.4	60.4	61.1	67.1	61.1
8	Michigan	15,417	3.1	3.3	3.5	3.4	3.6	57.4	64.0	61.6	70.6	75.5	65.8
9	Georgia	13,905	2.8	2.7	2.7	2.6	2.6	54.3	59.5	62.4	64.1	63.2	60.7
10	Ohio	13,344	2.7	2.8	3.0	3.6	4.0	48.6	53.2	53.6	65.6	74.7	59.1
11	Mass.	11,883	2.4	2.4	2.5	2.4	2.5	45.9	55.6	55.6	59.5	59.7	55.3
12	N. Carolina	11,813	2.3	2.3	2.3	2.3	2.3	52.9	52.7	59.3	61.4	60.5	57.4
13	Virginia	10,621	2.1	2.1	2.1	2.0	2.0	51.8	47.7	53.5	73.6	61.0	57.5
14	Maryland	9,265	1.8	1.8	1.9	1.8	1.8	51.3	52.6	51.8	65.8	62.9	56.9
15	Missouri	9,055	1.8	1.8	1.9	1.8	1.8	70.8	54.5	57.8	64.9	67.1	63.0
16	Arizona	8,896	1.8	1.7	1.7	1.7	n/a	53.1	56.2	60.1	62.1	n/a	57.9
17	Washington	8,282	1.8	1.8	1.8	1.7	1.7	56.5	48.7	53.7	56.0	61.4	55.3
18	Louisiana	8,782	1.7	n/a	n/a	n/a	n/a	46.9	n/a	n/a	n/a	n/a	n/a
19	Minnesota	8,670	1.7	1.8	1.8	1.7	1.7	52.8	59.8	57.4	71.5	73.2	62.9
20	Indiana IN	8,513	1.7	2.1	2.2	2.1	2.1	73.1	59.2	58.1	59.2	66.7	63.3
	All other	131,966	26.2	25.8	23.3	22.2	25.3	52.0	90.2	62.3	60.0	66.2	66.1
	Total	503,031	100.0	100.0	100.0	100.0	100.0	51.8	66.9	61.0	62.1	68.8	62.1

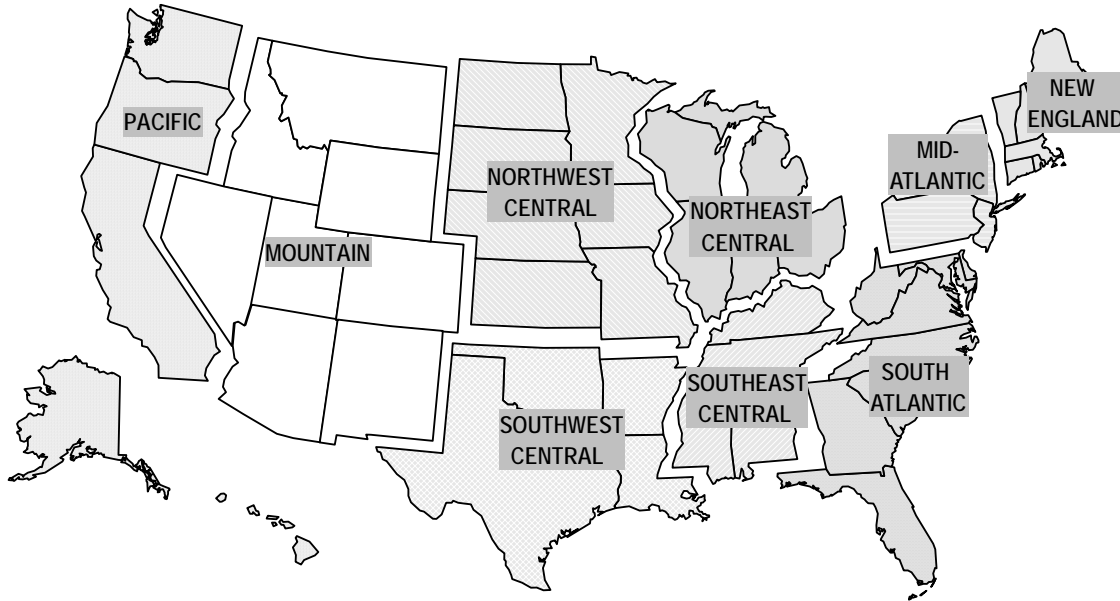
\* Direct Pure Loss Ratio is calculated by dividing losses incurred by direct earned premium.

Source: 2003 to 2006 data: NAIC State Data Network; aggregate Schedule T for all property/casualty insurers. Data for 2002 from Best's Aggregates & Averages-Property/Casualty, United States and Canada, Supplement, 2002 Edition.

**Figure 2** shows the percentages of total direct written premiums, losses ratios for the property/casualty industry for ten regions of the United States during 2006 and the 5-year averages.

**Figure 2**

**Distribution of Direct Premiums Written and Loss Ratios by Region**



	Pacific	Mountain	Northwest Central	Southwest Central	Northeast Central	Southeast Central	Mid-Atlantic	South Atlantic	New England	Other*	Total All Regions
Percent Total 2006 DPW	16.2%	6.4%	6.5%	10.5%	13.2%	5.0%	14.7%	19.5%	5.2%	2.9%	100.0%
Direct Loss Ratio – 2006	47.6%	52.1%	58.4%	50.1%	57.8%	56.3%	53.9%	49.6%	48.1%	42.1%	51.8%
Direct Loss Ratio – 5 Yr Avg	56.8%	57.2%	58.7%	73.5%	62.9%	74.7%	61.3%	64.2%	55.2%	47.0%	62.1%

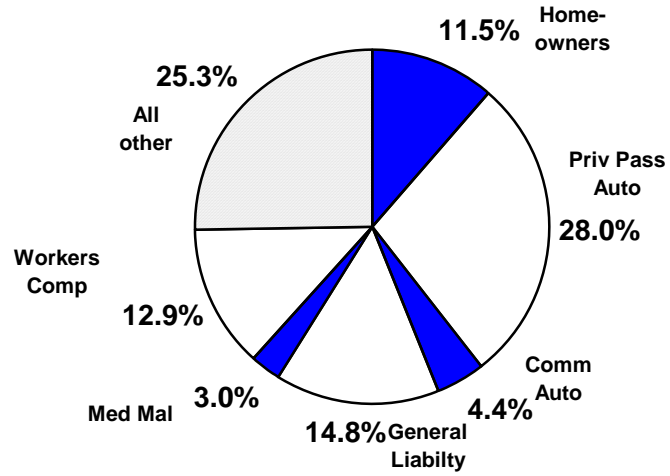
\*The “other” region includes American Samoa and Guam, Puerto Rico and the U.S. Virgin Islands and Canada.

The Southwest Central and Southeast Central regions both experienced loss ratios above 100 percent during 2005 as a result of both Hurricanes Katrina and Rita. In contrast, 2006 was a exactly the opposite as no hurricanes or tropical systems made landfall on either the Atlantic or Gulf coasts of the United States.

**Figure 3** illustrates the distribution of property/casualty premium written by line of business during 2006 in Illinois. As the chart shows, personal-lines insurance (homeowners and private passenger automobile) makes up the largest portion of the property/casualty market. Private passenger automobile (28.0 percent), including both the liability and physical damage component, is the single largest line of business.

Pursuant to Illinois Administrative Code Title 50, Chapter I, Subchapter iii, Part 4203 companies are required to file data for private passenger automobile (liability and physical damage separately), homeowners (including residential fire), commercial automobile liability, and specified insurance classes from the medical malpractice and other liability lines. In this year’s supplemental report, the workers compensation line of business has also been included as a separate line.

**Figure 3**  
**Percent by Line of All Property/Casualty**  
**Premiums Written in Illinois (2006)**



Source: NAIC State Data Network



## **ANALYSIS OF THE MARKETPLACE**

From both a consumer's and a regulator's standpoint, insurance regulation should provide an environment where:

- 1 Coverage is available.
- 2 Coverage is offered at a reasonable price.
- 3 Coverage is available from reliable insurers.

The Cost Containment Act requires the Division to analyze the marketplace each year and to recommend changes that may be needed to correct market problems.

The Division measures the overall competition of the Illinois marketplace by looking at three elements: availability, profitability, and reliability.

### **Availability**

The Division measures availability in three ways:

1. Herfindahl/Hirschman Index (HHI) and Market Shares by Line.
2. Market Shares of Residual Market Mechanisms.
3. Participation in Alternative Risk Transfer Mechanisms.

#### Herfindahl/Hirschmann Index (HHI) and Market Shares by Line

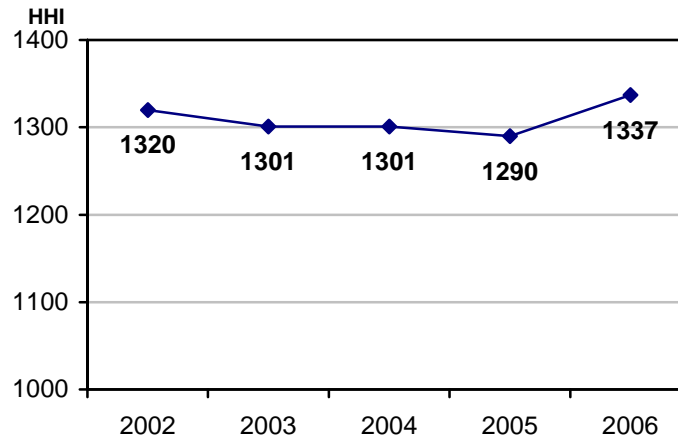
The Cost Containment Act requires the Division to collect and analyze data in five major lines of business: homeowners', private passenger automobile, commercial automobile liability, medical malpractice, and other liability. This report contains a comparison of underwriting results for Illinois versus nationwide for these five lines of business and an analysis of market concentration and market share in the State of Illinois. Market concentration is determined using an economic measure known as the Herfindahl/Hirschmann Index (HHI). The HHI is the summation of the squares of each company's market share. Generally, an HHI of 1800 or above is an indication that the market may be too highly concentrated and may be approaching anti-competitive behavior.

### Homeowners HHI

**Figure 4** provides a graph of the HHI for Illinois homeowners' insurance from 2002 through 2006. As the chart shows, the market for homeowners' insurance became more concentrated during 2006 than during the previous four years.

**Figure 4**

#### Illinois Market Concentration - Homeowners (2002-2006)



The top ten Illinois homeowners' writers (including residential fire) and their market shares for 2006 and 2005 are shown in **Figures 5 and 6**.

**Figure 5**

#### Top 10 Homeowners Insurers in Illinois – 2006

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Exp. Incurred	Comm. & Brokerage Expenses	Taxes, Licenses & Fees
State Farm Fire And Cas Co	\$ 745,292	\$723,539	32.7%	63.7%	1.0%	13.2%	1.3%
Allstate Ind Co	203,424	189,808	8.9%	60.3%	1.5%	12.6%	0.9%
Country Mut Ins Co	173,608	169,282	7.6%	68.0%	0.9%	13.9%	1.9%
Allstate Ins Co	154,105	159,802	6.8%	47.2%	1.2%	11.6%	4.1%
Illinois Farmers Ins Co	132,096	130,359	5.8%	69.5%	1.6%	17.4%	1.5%
American Family Mut Ins Co	126,285	128,153	5.5%	63.3%	1.0%	12.5%	0.4%
Liberty Mut Fire Ins Co	33,217	31,722	1.5%	49.4%	1.2%	7.9%	1.0%
Economy Premier Assur Co	32,020	34,486	1.4%	43.6%	0.8%	18.5%	0.8%
Travelers Prop Cas Ins Co	30,310	25,126	1.3%	59.1%	0.7%	20.3%	4.6%
Travelers Personal Ins Co	29,629	31,529	1.3%	45.2%	0.4%	18.8%	4.0%

Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

**Figure 6**  
**Top 10 Homeowners Insurers in Illinois – 2005**

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Exp. Incurred	Comm. & Brokerage Expenses	Taxes, Licenses & Fees
State Farm Fire And Cas Co	\$710,559	\$706,618	32.0%	49.2%	1.1%	13.4%	1.5%
Allstate Ind Co	175,557	155,888	7.9%	48.1%	1.1%	14.4%	1.0%
Country Mut Ins Co	167,052	161,688	7.5%	46.9%	1.1%	14.6%	2.3%
Allstate Ins Co	165,650	172,102	7.5%	40.4%	0.6%	11.2%	1.6%
American Family Mut Ins Co	130,529	134,171	5.9%	50.1%	0.6%	12.1%	1.7%
Illinois Farmers Ins Co	129,942	128,127	5.9%	44.5%	1.3%	17.5%	2.0%
Economy Premier Assur Co	36,733	39,127	1.7%	34.1%	0.5%	14.5%	1.3%
Travelers Personal Ins Co	33,145	35,674	1.5%	41.9%	0.0%	17.3%	4.7%
Liberty Mut Fire Ins Co	30,663	30,440	1.4%	46.8%	0.8%	9.4%	1.6%
Auto-Owners Ins Co	24,606	24,360	1.1%	63.2%	0.4%	20.5%	2.9%

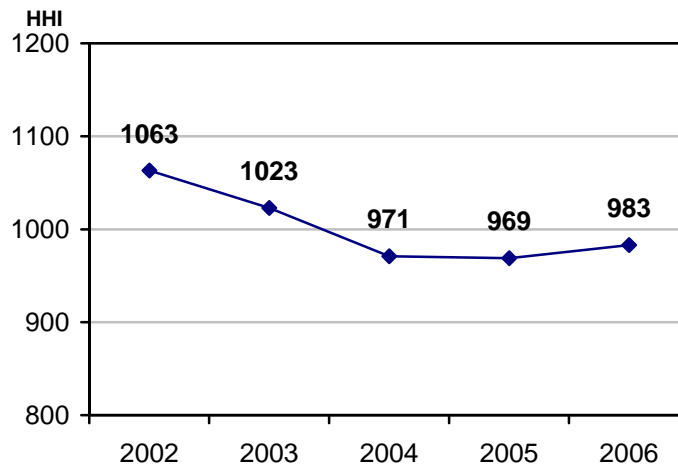
Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

#### *Private Passenger Automobile HHI*

**Figure 7** provides a graph of the HHI for Illinois private passenger automobile insurance (including liability and physical damage) from 2002 through 2006. The chart shows that the market for private passenger coverage has become more competitive during the last five years.

**Figure 7**

#### **Illinois Market Concentration - Private Passenger Automobile (2002-2006)**



Figures 8 and 9 show the top ten Illinois private passenger automobile writers (liability and physical damage coverage combined) and their market shares for 2006 and 2005.

**Figure 8**

**Top 10 Private Passenger Auto Insurers in Illinois – 2006**

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Expenses Incurred	Comm & Brokerage Expenses	Taxes, Licenses & Fees
State Farm Mut Auto Ins Co	\$1,576,856	\$1,572,160	28.3%	65.3%	4.0%	7.5%	1.2%
Allstate Ins Co	359,320	367,744	6.5%	43.6%	3.3%	11.7%	4.2%
Allstate Prop & Cas Ins Co	300,965	309,409	5.4%	56.0%	2.7%	11.9%	0.6%
Country Mut Ins Co	296,970	303,311	5.3%	56.0%	1.4%	9.0%	1.4%
American Family Mut Ins Co	269,736	266,781	4.8%	64.9%	5.1%	7.9%	-0.2%
Illinois Farmers Ins Co	264,356	262,109	4.8%	64.4%	3.9%	12.0%	1.3%
Country Pref Ins Co	136,242	131,083	2.4%	55.4%	1.3%	10.1%	0.7%
State Farm Fire And Cas Co	106,265	108,669	1.9%	72.7%	4.7%	9.8%	4.9%
Geico General Ins Co	82,620	81,036	1.5%	51.7%	0.6%	0.1%	0.1%
Progressive Direct Ins Co	75,872	73,187	1.4%	52.4%	1.1%	0.0%	1.9%

Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

**Figure 9**

**Top 10 Private Passenger Auto Insurers in Illinois – 2005**

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Expenses Incurred	Comm & Brokerage Expenses	Taxes, Licenses & Fees
State Farm Mut Auto Ins Co	\$1,562,550	\$1,571,918	27.9%	63.6%	3.2%	7.4%	-0.2%
Allstate Ins Co	388,869	393,609	7.0%	47.3%	2.0%	11.7%	1.7%
Country Mut Ins Co	322,766	327,816	5.8%	61.6%	1.8%	9.0%	1.5%
Allstate Prop & Cas Ins Co	310,271	297,477	5.5%	57.4%	3.0%	13.0%	0.7%
American Family Mut Ins Co	265,839	265,572	4.8%	59.6%	2.5%	7.9%	1.1%
Illinois Farmers Ins Co	257,085	255,897	4.6%	56.1%	3.2%	11.7%	1.6%
Country Pref Ins Co	115,972	110,901	2.1%	50.6%	1.2%	11.0%	0.6%
State Farm Fire And Cas Co	114,372	118,043	2.0%	65.4%	4.4%	9.4%	-0.4%
Geico General Ins Co	78,683	77,870	1.4%	56.4%	1.9%	0.0%	1.2%
Progressive Halcyon Ins Co	66,238	63,165	1.2%	47.3%	1.4%	0.0%	2.2%

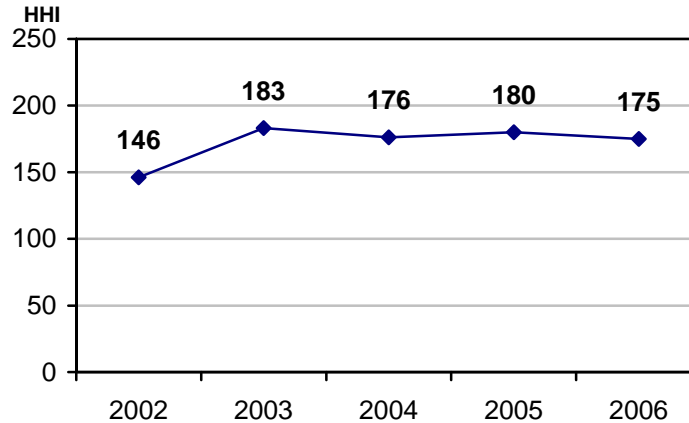
Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

### Commercial Automobile Liability HHI

**Figure 10** provides a graph of the HHI for Illinois commercial automobile liability from 2002 to 2006. The HHI suggests that the market concentration in Illinois for commercial automobile liability insurance is very low (very competitive).

**Figure 10**

#### Illinois Market Concentration - Commercial Automobile Liability (2002-2006)



**Figures 11 and 12** show the top ten Illinois commercial automobile liability writers for 2006 and 2005.

**Figure 11**

#### Top 10 Commercial Auto Insurers in Illinois - 2006

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Expenses Incurred	Comm & Brokerage Expenses	Taxes, Licenses & Fees
Transguard Ins Co Of Amer Inc	\$39,609	\$39,768	4.5%	49.4%	7.7%	7.7%	1.0%
Illinois Natl Ins Co	32,301	33,261	3.7%	24.5%	4.2%	7.9%	3.1%
Great West Cas Co	32,194	32,081	3.7%	70.2%	6.5%	11.3%	2.3%
Lincoln General Ins Co	32,071	29,582	3.7%	64.5%	2.7%	17.2%	3.6%
American Service Ins Co Inc	28,430	29,015	3.2%	44.6%	11.2%	10.8%	1.1%
State Farm Mut Auto Ins Co	28,348	27,921	3.2%	49.8%	4.2%	8.6%	1.4%
Zurich American Ins Co	26,828	28,743	3.1%	49.4%	5.6%	11.1%	2.2%
Cincinnati Ins Co	25,117	25,546	2.9%	47.7%	0.4%	21.0%	1.4%
Northland Ins Co	24,491	24,188	2.8%	54.8%	3.5%	19.5%	2.1%
Progressive Premier Ins Co Of IL	19,665	18,808	2.2%	59.8%	4.8%	9.8%	1.0%

Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

**Figure 12**  
**Top 10 Commercial Auto Insurers in Illinois - 2005**

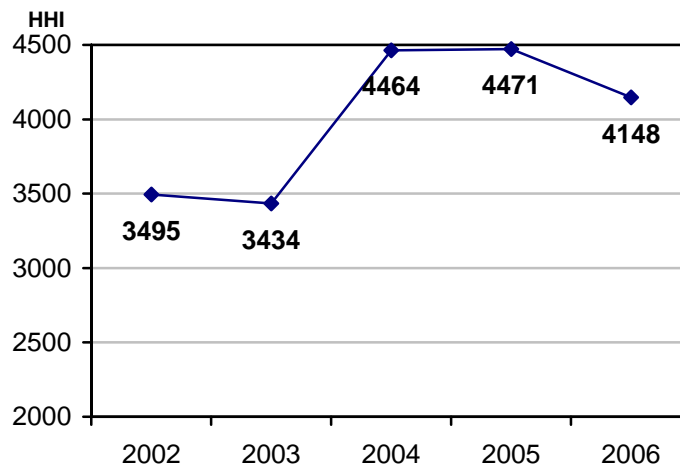
Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Expenses Incurred	Comm & Brokerage Expenses	Taxes, Licenses & Fees
Transguard Ins Co Of Amer Inc	\$49,636	\$50,599	5.5%	81.0%	5.3%	13.3%	1.1%
Illinois Natl Ins Co	32,535	29,683	3.6%	40.9%	7.0%	10.6%	2.0%
Great West Cas Co	32,485	30,490	3.6%	41.5%	4.0%	11.9%	1.9%
Lincoln General Ins Co	29,937	29,272	3.3%	65.4%	6.9%	19.9%	3.5%
Zurich American Ins Co	29,119	29,102	3.2%	48.1%	6.0%	10.5%	3.1%
American Country Ins Co	28,788	29,994	3.2%	73.0%	10.0%	2.9%	1.5%
State Farm Mut Auto Ins Co	27,472	27,179	3.0%	36.1%	3.1%	8.7%	0.0%
American Service Ins Co Inc	26,212	25,671	2.9%	62.5%	6.5%	11.0%	1.1%
Cincinnati Ins Co	25,371	25,825	2.8%	56.7%	7.3%	19.3%	3.0%
Northland Ins Co	24,051	24,042	2.7%	94.5%	4.3%	19.0%	3.5%

Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

### *Medical Malpractice HHI*

**Figure 13** provides a graph of the HHI for Illinois medical malpractice coverage from 2002 through 2006. As is the case for most other states, the largest writer in Illinois of medical malpractice coverage is a physician-affiliated exchange. In Illinois, that provider is the ISMIE Mutual Insurance Company, which wrote 63.3 percent of the medical malpractice coverage in 2006. The second largest medical malpractice insurer, by direct written premium, was American Physicians Assurance Corp., which wrote only 8.0 percent of the business. As the chart shows, the market is highly concentrated, with an HHI well above the 1800 level.

**Figure 13**      **Illinois Market Concentration - Medical Malpractice (2002-2006)**



**Figures 14 and 15** show the top ten Illinois medical malpractice writers and their market shares for 2006 and 2005.

**Figure 14**  
**Top 10 Medical Malpractice Insurers in Illinois – 2006**

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Exp. Incurred	Comm. & Brokerage Expenses	Taxes, Licenses & Fees
ISMIE Mut Ins Co	\$384,043	\$382,580	63.3%	41.8%	22.5%	4.5%	0.4%
American Physicians Assur Corp	48,421	52,137	8.0%	49.8%	21.8%	7.9%	1.5%
Professional Liab Ins Co Of Amer	35,969	32,957	5.9%	4.9%	2.6%	7.7%	2.1%
Pronational Ins Co	24,147	25,948	4.0%	38.5%	65.7%	8.9%	2.3%
Medical Protective Co	16,272	16,232	2.7%	26.3%	43.6%	6.2%	1.7%
Continental Cas Co	14,667	10,388	2.4%	-95.9%	-50.4%	3.6%	2.3%
Medical Alliance Ins Co	13,190	12,958	2.2%	48.0%	9.2%	3.6%	0.9%
Podiatry Ins Co Of Amer A Mut Co	6,910	6,654	1.1%	11.3%	18.0%	0.5%	1.8%
Physicians Ins Co Of WI	6,074	5,782	1.0%	69.9%	162.4%	11.7%	0.7%
Chicago Ins Co	5,550	5,676	0.9%	47.3%	25.4%	19.1%	0.7%

Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

**Figure 15**  
**Top 10 Medical Malpractice Insurers in Illinois – 2005**

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Exp. Incurred	Comm. & Brokerage Expenses	Taxes, Licenses & Fees
ISMIE Mut Ins Co	\$401,074	\$404,060	65.8%	56.7%	24.6%	4.4%	0.2%
American Physicians Assur Corp	54,536	52,423	9.0%	80.6%	26.4%	8.3%	1.2%
Pronational Ins Co	25,729	26,385	4.2%	9.8%	62.0%	5.8%	1.4%
Professional Liab Ins Co Of Amer	23,920	19,229	3.9%	22.1%	2.5%	8.5%	3.6%
Medical Protective Co	17,555	18,897	2.9%	73.7%	48.3%	6.6%	3.1%
Medical Alliance Ins Co	15,922	15,243	2.6%	43.6%	12.1%	3.0%	0.7%
Podiatry Ins Co Of Amer, Mut Co	6,522	6,054	1.1%	17.6%	17.9%	0.4%	2.4%
Chicago Ins Co	6,122	6,476	1.0%	33.6%	18.9%	20.4%	0.8%
Physicians Ins Co Of WI	6,084	6,171	1.0%	93.8%	78.5%	11.5%	0.8%
Cincinnati Ins Co	5,415	5,626	0.9%	28.1%	-77.2%	15.5%	2.1%

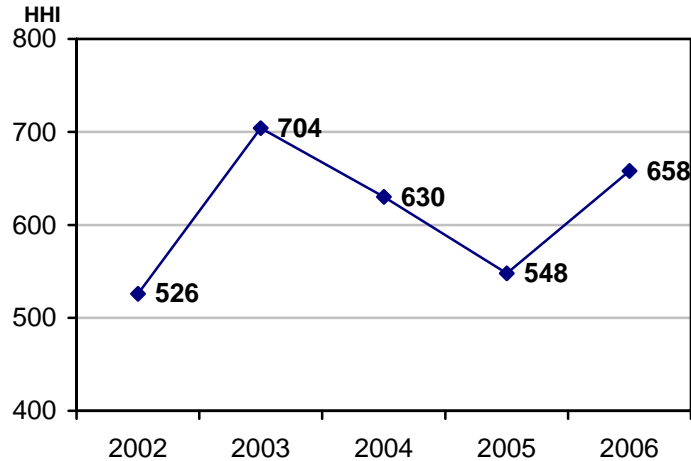
Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

*Other Liability HHI*

**Figure 16** provides a graph of the HHI for Illinois other liability insurance from 2002 through 2006. The figure indicates that the market for other liability insurance in Illinois continues to be very competitive.

**Figure 16**

**Illinois Market Concentration - Other Liability  
(2002 - 2006)**



**Figures 17 and 18** show the top ten Illinois other liability writers and their market shares for 2006 and 2005.

**Figure 17**

**Top 10 General Liability Insurers in Illinois – 2006**

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Exp. Incurred	Comm. & Brokerage Expenses	Taxes, Licenses & Fees
Illinois Natl Ins Co	\$631,900	\$504,893	21.1%	86.3%	8.7%	1.7%	2.6%
Zurich American Ins Co	254,314	284,179	8.5%	77.4%	18.3%	7.3%	2.9%
New Hampshire Ins Co	216,185	216,586	7.2%	126.7%	6.6%	0.1%	3.5%
Federal Ins Co	153,209	150,680	5.1%	54.8%	31.9%	10.2%	2.6%
Zurich American Ins Co Of IL	99,306	116,533	3.3%	72.4%	20.3%	0.3%	0.4%
Continental Cas Co	83,638	86,134	2.8%	-92.7%	-33.9%	12.1%	2.1%
Nat. Union Fire Ins Co Of Pitts	73,578	91,137	2.5%	-20.4%	16.3%	5.4%	2.9%
Ace American Ins Co	69,252	68,223	2.3%	80.5%	13.1%	4.4%	-1.6%
Underwriters At Lloyds London	65,097	63,123	2.2%	-1.1%	-19.6%	13.3%	0.2%
St Paul Fire & Marine Ins Co	54,091	52,476	1.8%	35.1%	15.0%	10.5%	3.4%

Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.



**Figure 18**  
**Top 10 General Liability Insurers in Illinois – 2005**

Company	Direct Written Premium (000's omitted)	Direct Earned Premium (000's omitted)	Illinois Market Share	Losses Incurred	Direct Defense & Cost Cont. Exp. Incurred	Comm. & Brokerage Expenses	Taxes, Licenses & Fees
Illinois Natl Ins Co	521,702	525,219	17.1%	127.0%	11.5%	1.4%	1.1%
Zurich American Ins Co	281,646	286,178	9.2%	89.7%	18.0%	4.7%	3.2%
Zurich American Ins Co Of IL	209,176	283,097	6.9%	126.2%	21.8%	0.0%	0.5%
New Hampshire Ins Co	186,066	126,558	6.1%	112.7%	6.9%	0.3%	2.4%
Federal Ins Co	149,490	144,685	4.9%	55.5%	14.7%	10.7%	2.4%
Nat. Union Fire Ins Co Of Pitts	112,414	120,503	3.7%	91.6%	-1.8%	4.8%	2.7%
Underwriters At Lloyds London	86,712	86,030	2.8%	56.8%	16.7%	12.6%	0.9%
Continental Cas Co	79,603	70,342	2.6%	111.6%	88.8%	15.5%	-1.6%
Ace American Ins Co	69,634	62,235	2.3%	24.9%	5.4%	5.2%	3.0%
St Paul Fire & Marine Ins Co	56,460	59,180	1.9%	86.1%	26.0%	12.5%	3.6%

Losses incurred, defense and cost containment expenses incurred and taxes, licenses and fees are shown as a percent of earned premium. Commission and brokerage expenses are shown as a percent of written premium.

### Market Shares of Residual Market Mechanisms

States establish residual market mechanisms to provide coverage for consumers who are unable to buy coverage in the voluntary market. If a marketplace does not function well, there will be an inordinate number of consumers in residual market programs. This is because insurers will tighten their underwriting standards, charge prices that are higher than what consumers can get in the residual market program, or stop writing business altogether in states where market problems persist.

Illinois residual market mechanisms provide essential insurance coverage for the hard-to-place risk, at rate levels approved by the Division. Illinois has residual market mechanisms for three lines of insurance: property, automobile, and workers' compensation.

#### *Property - The Illinois FAIR Plan Association (FAIR Plan)*

Fire and homeowners' insurance are placed directly through the FAIR Plan. Both personal and commercial insurance is available. Insurance companies share in the FAIR Plan's profits and losses in proportion to their voluntary market shares.

In Illinois, property insurance is widely available in the voluntary marketplace and only a very small percentage of consumers obtained coverage through the FAIR Plan. In addition, Illinois consumers are not at a coverage disadvantage when they buy insurance from the FAIR Plan, as is the case in many other states. In other states, property residual market programs offer only dwelling fire or basic homeowners' policies. Illinois has one of the most progressive FAIR Plans in the nation. Through the FAIR Plan, Illinois consumers can buy virtually the same coverage's that are available in the voluntary marketplace, including guaranteed replacement

cost, sewer back-up, earthquake, and building ordinance and law endorsements.

**Figure 19** shows the total amount of dwelling and homeowners' premium written by the FAIR Plan as well as a percentage of all dwelling and homeowners' premium written in Illinois from 2002 through 2006.

**Figure 19**

**Written Premiums for Illinois FAIR Plan  
(2002-2006)**

	<b>Amount of Written Premiums</b>	<b>As % of Total Written Premiums</b>
2002	\$7,104,000	0.20%
2003	\$9,800,000	0.49%
2004	\$11,030,119	0.52%
2005	\$9,073,367	0.41%
2006	\$7,018,505	0.31%

Source: Premium amounts provided by Illinois FAIR Plan

*Automobile - The Illinois Automobile Insurance Plan (Auto Plan)*

Private passenger automobile risks are assigned to private passenger automobile insurers on a rotational basis in proportion to their voluntary market shares. Assignments stay with the company and are not shared with other writers. Commercial automobile risks are placed through servicing companies. Losses are divided among the voluntary writers of commercial automobile insurance in proportion to their share of the voluntary business.

**Figure 20** shows the 2001 through 2005 market shares for the Illinois Automobile Insurance Plan compared to nationwide data. The percent of written car-years is derived by dividing the number of written car-years insured through the residual market by the total number of written car-years insured through the voluntary market. Note that Illinois has a significantly smaller number of automobiles in the residual market than the nationwide composite.

The percent of insured automobiles in the Illinois Automobile Insurance Plan was four hundredths of a percent of the total market in 2005. This figure reinforces the fact that the voluntary auto insurance market in Illinois is extremely competitive.

**Figure 20 Percent of Automobiles in Illinois Assigned Risk Plan and the United States Composite Automobile Residual Market (2001-2005)**

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Illinois	0.03%	0.05%	0.06%	0.05%	0.04%
Nationwide	0.43%	0.52%	0.54%	1.43%	1.27%

Source: AIPSO Facts 2005 (based on liability car-years). 2006 data is not available at this time.

*Workers' Compensation - The Illinois Workers' Compensation Assigned Risk Pool (Pool)*

Several insurers act as servicing carriers for the Illinois Workers' Compensation Assigned Risk Pool. Losses are divided among the voluntary writers of workers' compensation in proportion

to their shares of the voluntary business.

**Figure 21** shows the percent of Illinois workers' compensation premiums written through the Pool from 2002 through 2006. The chart shows the amount of business being written in the residual market. During 2006, only 4.7 percent of Illinois direct premiums written for workers' compensation were written through the Pool.

The numbers illustrated in Figure 21 are from the NCCI and may not reconcile with numbers found in previous reports.

**Figure 21 Percent of Illinois Workers' Compensation Written Through the Pool (2002-2006)**

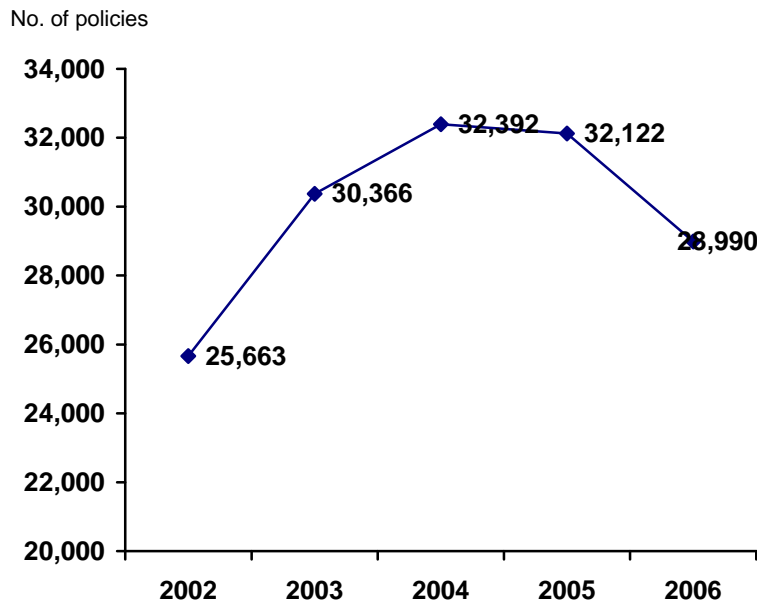
	2002	2003	2004	2005	2006
Percent of Total	8.6%	10.0%	7.8%	6.2%	4.7%

Source: National Council on Compensation Insurance (NCCI)

The data in the following charts, **Figures 22-25**, comes from the National Council on Compensation Insurance, Inc., and shows the growth of the residual market.

**Figure 22** shows the number of policies in force in Illinois for the residual market from year-end 2002 through year end 2006.

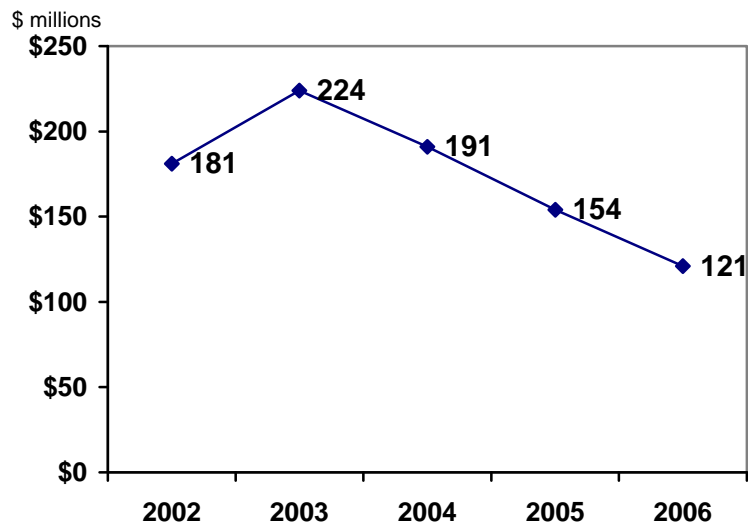
**Figure 22 Residual Market Workers Compensation Policies in Illinois**



Source: National Council on Compensation Insurance, Inc.

Figure 23 shows the premium volume since the end of 2003.

**Figure 23 Residual Market Workers Compensation Premiums in Illinois**

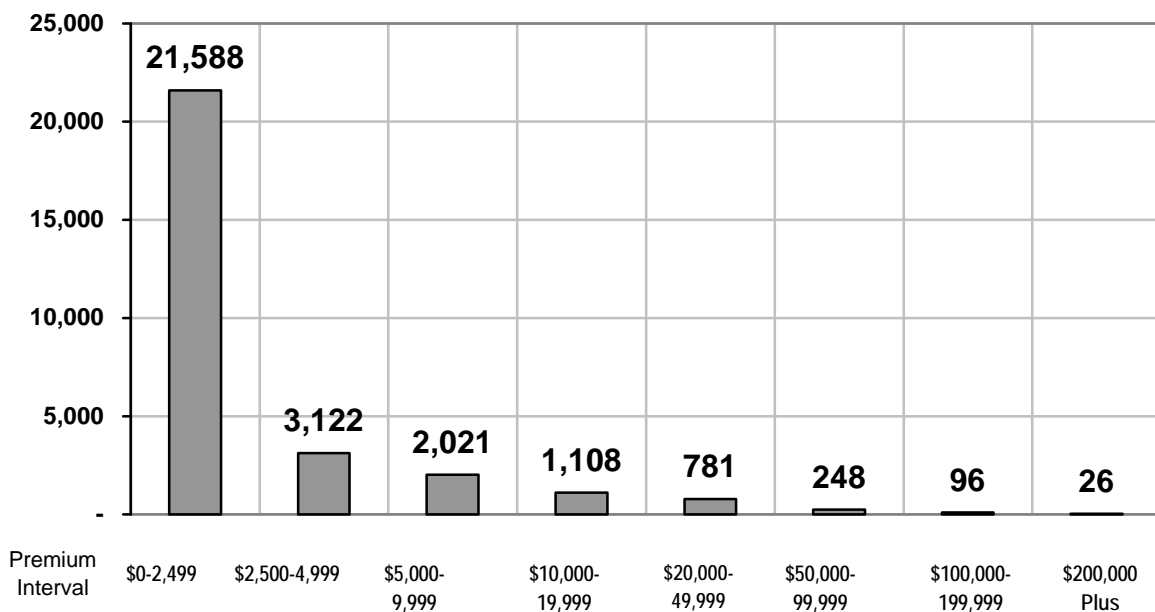


Source: National Council on Compensation Insurance, Inc.

Figure 24 shows the number of policies for each premium interval during 2006. As the chart shows, the greatest number of policies were written in the \$0-\$2,499 premium interval.

**Figure 24  
Residual Market Distribution by Size of Risk**

No. of policies

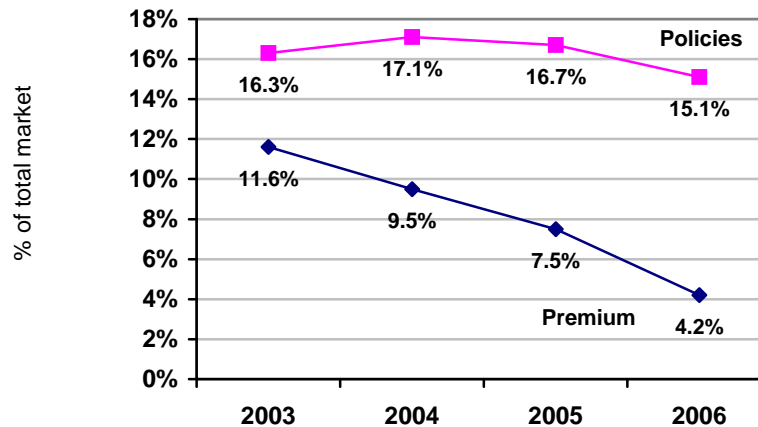


Source: National Council on Compensation Insurance, Inc.

**Figure 25** shows the percent that assigned risk makes up of the total workers compensation market in Illinois by number of policies and premium dollars.

**Figure 25**

**Change in Assigned Risk Market Share**  
*Percent of the Total Workers Comp Market in Illinois*



Source: National Council on Compensation Insurance, Inc.

Note: Because of certain changes in computing some numbers, the percentages shown above may not reconcile with previous reports.

**Figure 26** shows the total premium in Illinois for the top ten class codes in the residual market for calendar year 2006 based on written premium.

**Figure 26**

**Illinois Residual Market Top Ten Classification Codes by Premium Volume**  
**Calendar Year 2006**

Rank	Code	Description	Total State Premium	% of Premium
1	5645	Carpentry – Detached One Or Two Family Dwellings	\$7,161,463	5.94%
2	5551	Roofing – All Knids	\$4,864,675	4.03%
3	8861	Charitable Or Welfare – Professional Employees And Clerical	\$4,188,329	3.47%
4	7228	Trucking – Local Hauling Only	\$4,008,049	3.32%
5	5606	Contractor – Project Manager Construction Executive	\$3,662,661	3.04%
6	8835	Nursing – Home Health Public And Traveling – All Employees	\$3,275,774	2.72%
7	7229	Trucking – Long Distance Hauling	\$2,398,315	2.32%
8	9015	Building – Operations By Owner or Lessee	\$2,521,801	2.09%
9	5474	Painting Or Paperhanging NOC	\$2,344,686	1.94%
10	9014	Building – Operations By Contractors	\$2,334,111	1.94%

Source: National Council on Compensation Insurance (NCCI)

Participation in Alternative Risk Transfer Mechanisms

Traditionally, the level of participation in alternative markets is an indicator of how well the

admitted market is doing at providing coverage, or providing coverage at prices consumers perceive to be reasonable. Therefore, if we are to assess the insurance marketplace in terms of availability, we must look at the level of activity in these alternative markets.

One problem with the non-admitted market is that there are few means by which it can be monitored. Because of the Division's limited authority over many of the alternative mechanisms, the number of risks placed and the amount of premium written cannot be assessed and a complete picture of this aspect of the insurance marketplace is unattainable. This problem has become more prevalent as the size of the transfer of risk alternative markets continues to grow.

*Surplus lines* refers to insurance written by a non-admitted (unlicensed) insurer through a licensed surplus lines producer. The licensed producer must exercise due diligence in protecting the insured since the Division has no jurisdiction over unlicensed companies and the Illinois Insurance Guaranty Fund provides no protection for the consumer. Thus, it is the producer and not the Division who must determine the company's financial stability and standards of management prior to submitting the risk.

**Figure 27** shows the number of policies written in Illinois from 2002 to 2006 through surplus lines producers for homeowners', private passenger auto liability and physical damage, commercial auto liability, medical malpractice and general liability coverage.

**Figure 27**

**Surplus Lines - Number of primary and excess policies written in Illinois (2002 - 2006)**

Line of Business	2002 Illinois Policy Count	2003 Illinois Policy Count	2004 Illinois Policy Count	2005 Illinois Policy Count	2006 Illinois Policy Count
Homeowners'	1,181	1,340	860	535	352
PPA Liability	426	410	293	189	124
PPA Physical Damage	9,063	7,210	9,074	7,426	5,722
Commercial Auto Liability	40	22	55	77	148
Medical Malpractice	548	701	752	892	940
General Liability	16,812	20,857	25,310	26,137	25,696

Source: Surplus Lines Association of Illinois

*INEX (previously the Illinois Insurance Exchange)* provides a market for direct insurance and reinsurance. It is comprised of syndicates which underwrite and insure risks, and brokers who are authorized to place business with those syndicates. Fashioned after Lloyd's of London, INEX serves as a facilitator, record keeper and regulator for the operations of its members. INEX submits an annual financial statement to the Division reflecting both its combined financial position and the financial position of each individual syndicate.

*Insurance Pools* are groups that join together for the purpose of sharing certain risks on an agreed-upon basis. Participants may consolidate their risk exposures without being subject to

the same regulatory requirements as admitted insurers. Pools organized under the following Acts are allowed in Illinois:

*The Workers' Compensation Act* allows entities that are members of a trade association, or that have similar risk characteristics, to form a risk-sharing pool. Each pool must submit annual financial statements, CPA audit reports, and actuarial opinions to the Division and are subject to examination by the Director.

*The Religious and Charitable Risk Pooling Trust Act* permits entities having an IRS 501c(3) exemption (a non-profit entity), or hospitals owned and operated by a unit of local government, to form a trust to pool their risks. These trust funds can only operate with prior approval of the Director of Insurance. The trusts must make annual CPA audit reports to the Division and are subject to examination by the Director.

*The Intergovernmental Cooperation Act* enables units of local government to enter into a pooling arrangement with other similar entities for the purpose of risk sharing. These pooling arrangements are not regulated by the Division, however, they must register with the Division and file annual audited financial statements.

*Risk Retention and Purchasing Groups* are allowed under the Federal Liability Risk Retention Act of 1986. This Act eliminated barriers to group self-insurance programs by allowing them to buy group liability insurance. At the end of year 2006, there were 409 registered purchasing groups, 101 registered foreign risk retention groups and 1 registered domestic risk retention group.

*Captive Insurance Companies* may be formed by a company to insure its own risks and exposures, by an association to insure its member organizations, or by industrial insured groups. Illinois captives are regulated by the Division, are required to file certain financial information with the Division, and are subject to examination by the Director.

*Self-insurance* occurs when individuals or businesses retain their own risks. Entities that self-insure are under no obligation to report premiums, losses, or expenses to any statistical association or regulatory body.

## **Profitability**

In monitoring competition in general, and price performance in particular, the Division does not examine individual insurer prices for appropriateness. To do so is virtually impossible. Instead, it monitors the effectiveness of competition, examining the pattern of profits throughout the market.

In examining profitability, the Director must balance the seemingly divergent concerns of consumers and insurers. To protect consumers, rates must not be excessive. There is a fine line between rates that are excessive and rates that are inadequate, especially since insurance policies must be priced long before the results of the pricing decisions are known.

The Division must also be concerned about the long-term viability of the insurance marketplace, including the financial viability of the companies that insure consumers.

### Illinois-specific Underwriting Results Compared to Countrywide Results

For each of the coverages listed below, this section contains:

1. combined underwriting results for business written in Illinois and business written countrywide;
2. a five-year trend for Illinois losses as a percent of premiums earned, compared to the five-year trend for countrywide losses.

#### *Personal Lines Insurance*

**Figure 28** shows the percentage change in the Consumer Price Index during the previous twelve months ending July 2007 for auto and homeowners insurance and related items. The personal lines of insurance are homeowners and private passenger auto.

**Figure 28**

#### **Percent Changes in Consumer Price Index for Automobile and Household Insurance, and Related Items**

	Un-Adjusted 12-mos. Ended July '07
<b>All items</b>	2.4%
<b>Household insurance and related items</b>	
Tenants' and household insurance	0.2%
<b>Auto insurance related items</b>	
Motor vehicle parts and equipment	3.1%
Motor vehicle maintenance and repair	3.1%
Medical care	4.3%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics

In **Figures 29** through **40** the “countrywide” figures are the aggregate amounts for Illinois-licensed insurers’ nationwide underwriting results. This data comes from the Insurance Expense Exhibit Part III.

**Figure 29** shows a comparison of the underwriting results of homeowners insurance written in Illinois with that written nationwide during 2006. As figure 29 shows, incurred losses in Illinois for the year were higher than the nationwide loss ratio.



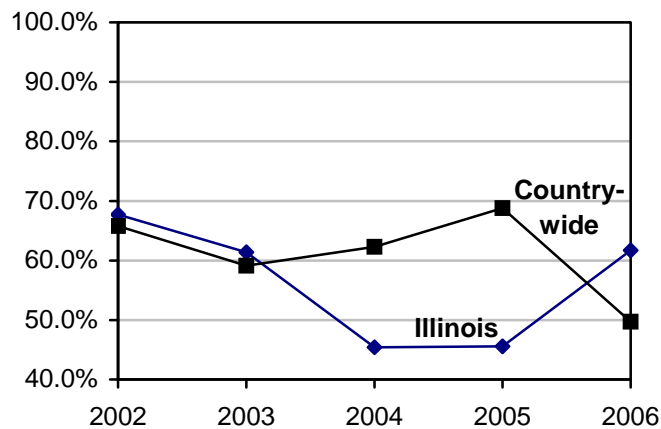
**Figure 29****Homeowners' Underwriting Results (2006)**

Homeowners (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	\$2,280,974	\$44,687,090
Direct earned premiums	\$2,245,617	\$43,382,126
Expenses (% earned premium)		
Incurring losses	61.7%	49.7%
Def. & cost cont. exp. incurred	1.3%	1.2%
Comm./brokerage	13.8%	13.6%
Taxes, licenses & fees	1.7%	2.5%

\*Source: NAIC State Data Network, 2006 Illinois State Page Exhibit.

\*\*Source: NAIC State Data Network 2006 Insurance Expense Exhibit Part III, Illinois-licensed insurers.

**Figure 30** compares the five-year trend for loss percentages in Illinois and countrywide in the homeowners line of business

**Figure 30****Homeowners Losses as a % of Premiums Earned (2002-2006)**

### Private Passenger Automobile

**Figure 31** compares the underwriting results of private passenger automobile insurance written in Illinois with that written countrywide during 2006. Losses incurred in the private passenger automobile line of business were comparable to nationwide losses.

**Figure 31**

#### Private Passenger Auto Underwriting Results (2006)

Private Passenger Auto (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	\$5,565,060	\$122,424,151
Direct earned premiums	\$5,566,523	\$122,234,578
Expenses (% <i>earned premium</i> )		
Incurred losses	57.8%	57.7%
Def. & cost cont. exp. incurred	3.3%	2.3%
Comm./brokerage	10.6%	8.6%
Taxes, licenses & fees	1.5%	2.3%

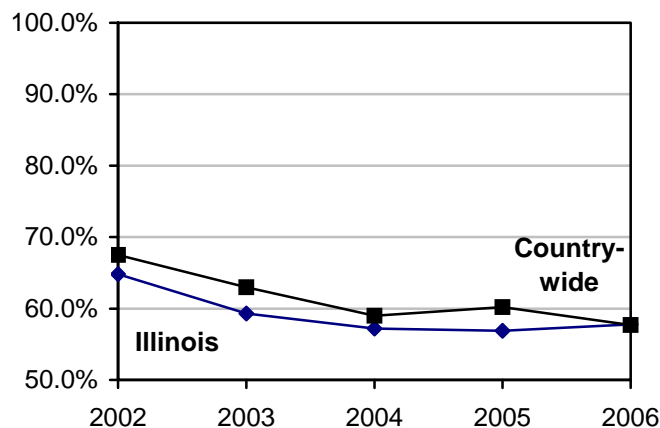
\*Source: NAIC State Data Network, 2006 Illinois State Page Exhibit.

\*\*Source: NAIC State Data Network 2006 Insurance Expense Exhibit Part III Illinois-licensed insurers.

**Figure 32** shows the five-year trend for loss percentages in the private passenger automobile line for Illinois and countrywide. As the chart shows, the Illinois private passenger automobile loss percentages have trended close to countrywide loss percentages over the past five years.

**Figure 32**

#### Private Passenger Auto Losses as a % of Premiums Earned (2002-2006)



### Commercial Automobile Liability

**Figure 33** shows the underwriting results in the commercial automobile liability line during 2006 were similar to those countrywide.

**Figure 33**

#### Commercial Automobile Liability Underwriting Results (2006)

Commercial Auto Liability (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	\$3,062,236	\$18,070,461
Direct earned premiums	\$3,065,996	\$17,990,064
Expenses (% earned premium)		
Incurred losses	59.1%	52.6%
Def. & cost cont. exp. incurred	5.6%	5.2%
Comm./brokerage	11.0%	13.6%
Taxes, licenses & fees	1.5%	2.7%

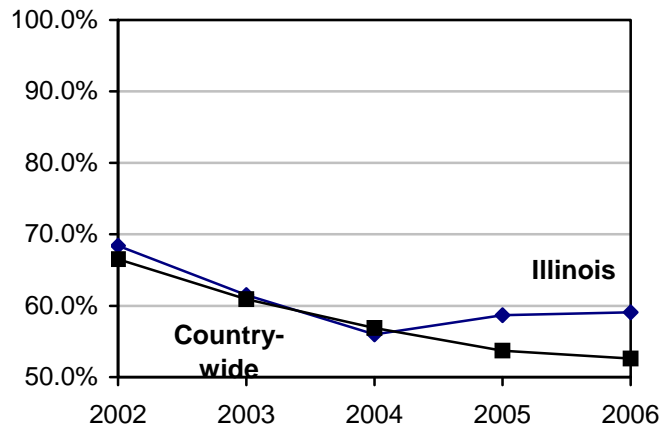
\*Source: NAIC State Data Network, 2006 Illinois State Page Exhibit.

\*\*Source: NAIC State Data Network 2006 Insurance Expense Exhibit Part III Illinois-licensed insurers.

**Figure 34** compares the five-year trend for loss percentage for Illinois and countrywide commercial automobile liability. The trend over the past five years in loss percentages in Illinois has been very similar to losses countrywide.

**Figure 34**

#### Commercial Auto Liability Losses as a % of Premiums Earned (2002-2006)



### Medical Malpractice

**Figure 35** shows the underwriting results for the medical malpractice market in Illinois and countrywide for 2006.

**Figure 35**

#### Medical Malpractice Underwriting Results (2006)

Medical Malpractice (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	\$605,915	\$5,436,022
Direct earned premiums	\$601,295	\$5,395,628
Expenses (% <i>earned premium</i> )		
Incurrd losses	40.0%	37.8%
Def. & cost cont. exp. incurred	23.3%	25.8%
Comm./brokerage	6.1%	7.8%
Taxes, licenses & fees	0.9%	2.1%

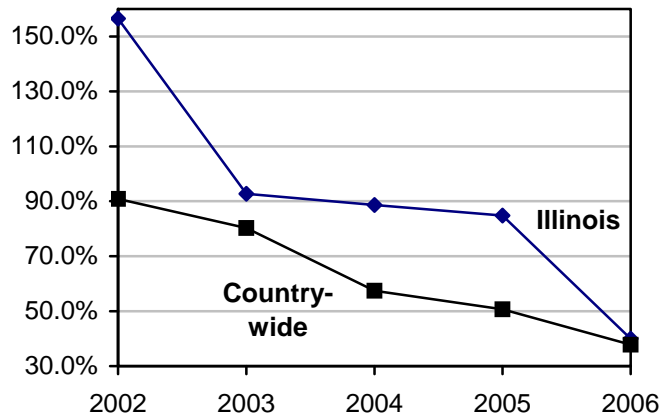
\*Source: NAIC State Data Network, 2006 Illinois State Page Exhibit

\*\*Source: NAIC State Data Network 2006 Insurance Expense Exhibit Part III, Illinois-licensed insurers.

**Figure 36** compares the five-year loss percentages trend for Illinois and countrywide medical malpractice insurance. After soaring to over 150% of earned premium in 2002, losses in Illinois have dropped each year since then.

**Figure 36**

#### Medical Malpractice Losses as a % of Premiums Earned (2002-2006)



### Other Liability

**Figure 37** compares the underwriting results between Illinois and countrywide for the other liability line of business.

**Figure 37**

#### General Liability Underwriting Results (2006)

Other Liability (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	\$2,954,143	\$40,152,466
Direct earned premiums	\$2,885,428	\$38,709,521
Expenses (% earned premium)		
Incurred losses	59.1%	53.5%
Def. & cost cont. exp. incurred	10.8%	14.3%
Comm./brokerage	8.0%	12.0%
Taxes, licenses & fees	2.0%	2.4%

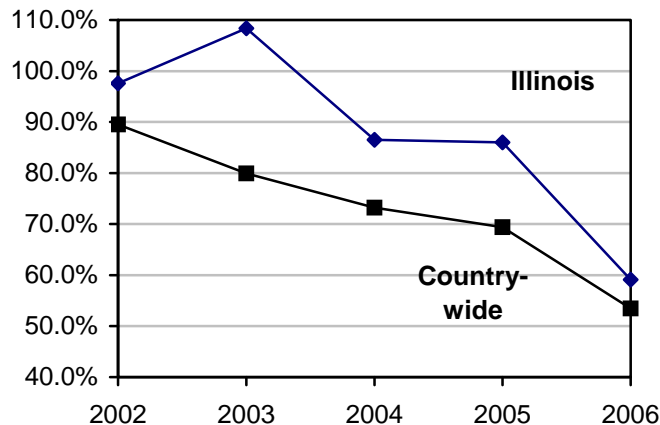
\*Source: NAIC State Data Network, 2006 Illinois State Page Exhibit

\*\*Source: NAIC State Data Network 2006 Insurance Expense Exhibit Part III, Illinois-licensed insurers.

**Figure 38** compares the five-year trend for loss percentages for Illinois and countrywide for other liability insurance. Losses as a percent of earned premium in Illinois in the other liability line of business remained slightly higher than losses nationwide in 2006.

**Figure 38**

#### Other Liability Losses as a % of Premiums Earned (2002-2006)



### Workers Compensation

Market trends experienced in the last several years appear to have continued in 2006. As indicated below, the overall Workers Compensation market in Illinois experienced an increase in the incurred losses for the second straight year. Countrywide, the market has experienced a decrease during the same period.

**Figure 39** shows a comparison of the underwriting results in 2006 in the workers compensation line of business between Illinois and nationwide.

**Figure 39**

#### Workers Compensation Underwriting Results (2006)

Workers Compensation (\$000 omitted)	Illinois*	Countrywide**
Direct written premiums	\$2,575,532	\$35,902,875
Direct earned premiums	\$2,531,121	\$35,766,257
Expenses (% <i>earned premium</i> )		
Incurred losses	82.3%	59.0%
Def. & cost cont. exp. incurred	9.0%	7.8%
Comm./brokerage	6.6%	7.0%
Taxes, licenses & fees	3.0%	4.9%

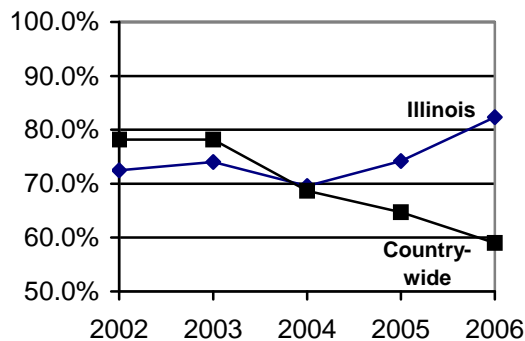
\*Source: NAIC State Data Network, 2006 Illinois State Page Exhibit

\*\*Source: NAIC State Data Network 2006 Insurance Expense Exhibit Part III, Illinois-licensed insurers.

**Figure 40** shows workers' compensation losses as a percent of earned premium for the years 2002 through 2006. Workers' compensations losses as a percent of earned premium in Illinois have risen steadily since 2004 while the nationwide loss ratio has declined since then.

**Figure 40**

#### Workers' Compensation Losses as a % of Premiums Earned (2002-2006)



## Reliability

In determining whether the overall marketplace is viable, the Division must consider:

1. Profitability.
2. Financial Solvency Regulation.

Businesses that provide a financial service must be financially sound. An insurance contract has little value to the insured if there is no guarantee that the insurance company will have the money to pay claims when needed.

As discussed earlier, the Division must balance the seemingly divergent concerns of consumers and insurers. While we must ensure that consumers are able to buy insurance at a reasonable price, we must also ensure the overall viability of the marketplace.

One measure of a company's financial performance is its profitability. It must generate enough profit to survive and succeed. In a given month, if expenses exceed income, they must be paid from the reserve fund. If the trend continues, reserve funds run out causing the business to collapse. Therefore, it is imperative that insurance companies manage income and expenses to assure profitability and survival.

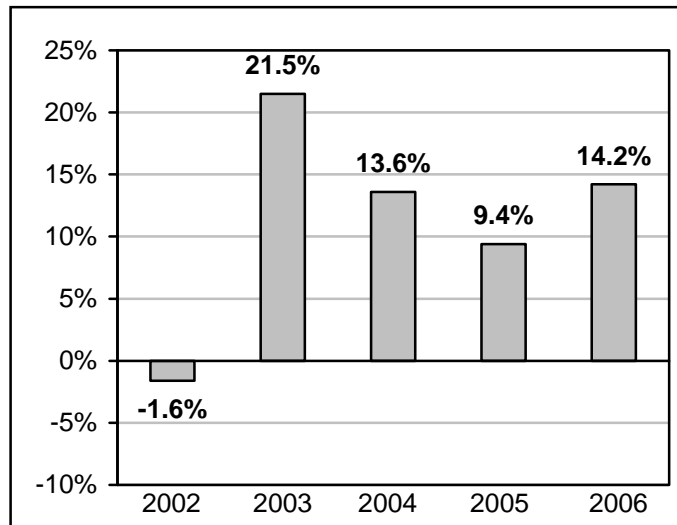
A company that can offer insurance coverage at competitive prices and reap adequate profits as an ongoing concern is considered to be financially viable. When the majority of insurers in the market are competitive and profitable, the market is considered to be financially strong.

## Profitability

### *Change in Policyholders Surplus*

One measure of overall profitability is the change in policyholders' surplus from one year to the next. Policyholders' surplus is made up of: 1) underwriting gains or losses; 2) investment gains or losses; and 3) net contributed capital and other surplus changes.

**Figure 41** shows the percent change in policyholders' surplus for the Illinois-licensed property/casualty industry as a whole over the past five years.

**Figure 41****Percent Change in Policyholders' Surplus**

Source: NAIC State Data Network

**Figure 42** shows income from investments, net income, unrealized capital gains/losses and policyholders' surplus from 2002 to 2006.

**Figure 42****Net Investment Income Earned, Net Income, Unrealized Capital Gains/Losses and Policyholders' Surplus (in millions)**

	2002	2003	2004	2005	2006
Net Investment gain	\$39,995	\$40,893	\$44,952	\$53,915	\$53,434
Net Income	11,485	27,199	36,488	39,675	61,230
Unrealized Capital Gains/Losses	(26,485)	30,624	17,189	4,096	28,677
Policyholders' Surplus	295,137	365,589	408,140	441,620	498,408

Source: NAIC State Data Network

*Underwriting Gains/Losses*

**Figure 43** shows the aggregate underwriting gain/loss for Illinois-licensed insurers from 2002-2006. The property/casualty industry experienced a healthy underwriting gain in 2006.



**Figure 43****Aggregate Net Underwriting Gain (Loss) (in millions)**

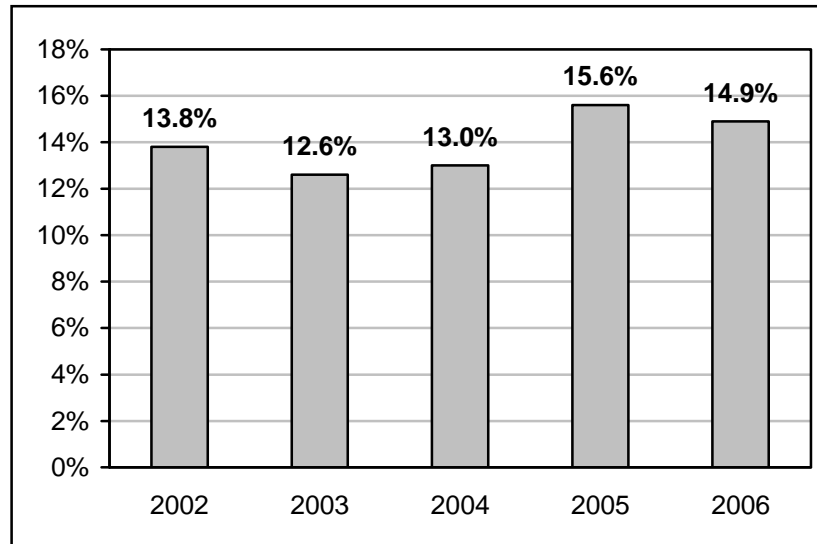
	2002	2003	2004	2005	2006
Premiums earned	\$290,397	\$325,159	\$344,724	\$344,913	\$359,332
Losses incurred	198,964	200,092	206,102	213,774	191,391
Loss expenses incurred	36,981	41,892	44,217	45,351	42,950
Other underwriting expenses incurred	79,362	85,604	88,666	90,570	96,724
Dividends to policyholders	<u>1,121</u>	<u>1,197</u>	<u>978</u>	<u>1,040</u>	<u>2,540</u>
Net underwriting gain/loss	<b><u>(\$26,031)</u></b>	<b><u>(\$3,626)</u></b>	<b><u>4,761</u></b>	<b><u>(5,822)</u></b>	<b><u>25,727</u></b>

Source: NAIC State Data Network

*Net Investment Income Ratio*

One component of surplus is income derived from investments. The net investment income ratio measures income from invested assets relative to earned premiums. It is calculated by dividing net investment income (income from invested assets less investment expenses and depreciation on real estate) by earned premium.

**Figure 44** shows the net investment income ratio for Illinois-licensed property/casualty insurers during the most recent five-year period. This ratio shows the investment income component of overall profitability.

**Figure 44****Net Investment Income Ratio (2002-2006)**

Source: NAIC State Data Network

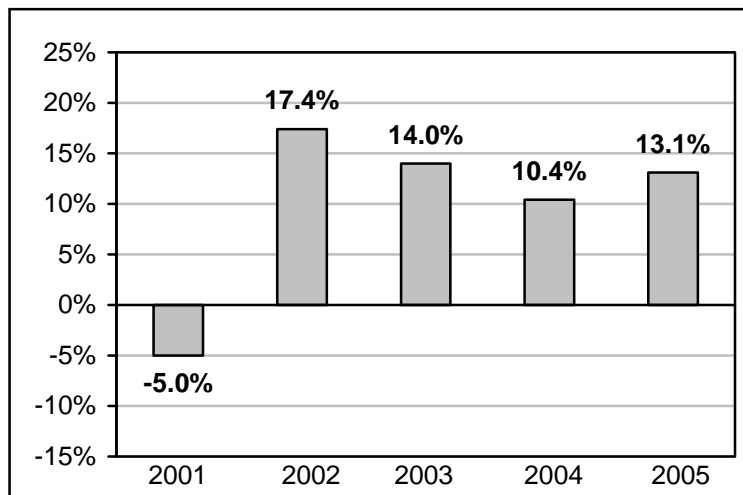
### *Return on Policyholders' Surplus*

Another measure of overall profitability is the return on policyholders' surplus. It is the sum of net income after dividends and taxes and unrealized capital gains divided by the average of the current year and prior year's policyholders' surplus.

**Figure 45** shows the aggregate return on policyholders' surplus from 2002 through 2006 for the Illinois-licensed property/casualty industry combined.

**Figure 45**

#### **Return on Policyholders' Surplus (2002-2006)**



Source: NAIC State Data Network

### Financial Solvency Regulation

Although the Division cannot guarantee that Illinois-licensed insurers are profitable, we monitor the financial solvency and strength of Illinois-licensed insurers in several ways including:

- 1 maintaining a staff of trained accountants and specialists who identify companies developing financial difficulties so that the Division can step in to minimize potential losses to Illinois policyholders;
- 2 working closely with insurance companies with identified financial difficulties to minimize potential risk to policyholders while attempting to resolve manageable problems or determine the need for rehabilitation or liquidation;
- 3 employing field examiners for on-site evaluation of insurance company financial records;
- 4 reviewing operations and compliance issues through scheduled, targeted, and special exams of known or suspected problems;
- 5 maintaining a staff of actuaries who monitor the adequacy of loss reserves, cash flow testing, and proper valuation of assets;
- 6 licensing and registering the many types of insurers, surplus lines producers, and risk

sharing pools authorized by the Illinois Insurance Code and related Acts;  
investigating unauthorized organizations or individuals thought to be conducting illegal insurance operations and taking regulatory action to remove them from the market to protect consumers from fraudulent activities.

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U.S. Division of Labor Consumer Price Index

**APPENDIX A – Consolidated Assets of Illinois-licensed Property/Casualty Insurers for the year ending December 31, 2006**

**ASSETS**

	Assets Current Year	Non-admitted Assets Current Year	Net Admitted Assets Current Year	Net Admitted Assets Prior Year
1 Bonds	\$663,455,462,090	\$95,440,908	\$663,360,021,182	\$624,984,241,017
2.1 Preferred stocks (stocks)	13,515,024,790	734,451	13,514,290,339	9,697,090,567
2.2 Common stocks (stocks)	296,590,609,333	994,063,675	295,596,545,661	265,728,663,995
3.1 First liens - mortgage loans on real estate	2,932,236,596	609,739	2,931,626,857	2,205,554,873
3.2 Other than first liens - mortgage loans on real estate	9,731,689	-	9,731,689	42,737,902
4.1 Properties occupied by the company (less \$(1) encumbrances) (real estate)	6,830,214,236	7,478,047	6,822,736,189	6,547,399,657
4.2 Properties held for the production of income (less \$(1) encumbrances) (real estate)	947,207,991	6,540,442	940,667,549	912,983,222
4.3 Properties held for sale (less \$(1) encumbrances) (real estate)	447,079,469	-	447,079,469	416,085,807
5 Cash \$(1), cash equivalents \$(2) and short-term investments \$(3)	75,987,365,976	64,316,674	75,923,049,302	73,389,260,461
6 Contract loans (including \$(1) premium notes)	2,093,317	2,093,317	-	-
7 Other invested assets	49,667,230,938	792,842,258	48,874,388,683	37,372,933,239
8 Receivables for securities	1,817,036,988	399,213	1,816,637,775	3,719,301,368
9 Aggregate write-ins for invested assets	5,383,053,007	3,582,315,044	1,800,737,963	2,336,541,475
10 Subtotals, cash and invested assets	1,117,584,346,413	5,546,833,769	1,112,037,512,649	1,027,352,793,579
11 Title plants less \$(1) charged off (for title insurers only)	-	-	-	-
12 Investment income due and accrued	8,699,925,006	33,908,394	8,666,016,612	8,350,435,944
13.1 Uncollected premiums and agents' balances in the course of collection (premiums and considerations)	37,031,791,774	2,590,707,777	34,441,084,000	33,976,667,633
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$(1) earned but unbilled premiums) (premiums and considerations)	54,064,433,013	271,155,378	53,793,277,635	57,295,520,168
13.3 Accrued retrospective premiums (premiums and considerations)	8,119,085,151	383,223,784	7,735,861,366	3,345,796,904
14.1 Amounts recoverable from reinsurers (reinsurance)	21,292,746,107	18,378,104	21,274,368,005	23,906,034,115
14.2 Funds held by or deposited with reinsured companies (reinsurance)	6,810,339,302	52,398,594	6,757,940,707	7,541,643,910
14.3 Other amounts receivable under reinsurance contracts (reinsurance)	1,334,673,895	686,050	1,333,987,845	1,210,378,173
15 Amounts receivable relating to uninsured plans	87,464,118	3,439,569	84,024,549	57,504,643
16.1 Current federal and foreign income tax recoverable and interest thereon	2,124,105,461	205,792,458	1,918,313,003	5,663,744,457
16.2 Net deferred tax asset	33,835,046,854	18,911,002,182	14,924,044,672	15,700,975,799
17 Guaranty funds receivable or on deposit	764,704,634	6,421,012	758,283,622	777,639,957
18 Electronic data processing equipment and software	3,403,799,394	2,114,134,120	1,289,665,277	1,307,449,764
19 Furniture and equipment, including health care delivery assets \$(1))	1,883,439,853	1,874,583,821	8,856,031	3,076,632
20 Net adjustment in assets and liabilities due to foreign exchange rates	1,275,206	-	1,275,206	11,613,362
21 Receivables from parent, subsidiaries and affiliates	12,242,690,316	297,913,109	11,944,777,208	12,658,812,595
22 Health care \$(1)) and other amounts receivable	44,495,608	15,571,415	28,924,193	17,645,268
23 Aggregate write-ins for other than invested assets	27,746,918,258	9,530,915,387	18,216,002,869	21,362,403,173
24 Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	1,337,071,280,369	41,857,064,919	1,295,214,215,447	1,220,540,136,072
25 From Separate Accounts, Segregated Accounts and Protected Cell Accounts	-	-	-	-
26 Totals	\$1,337,071,280,369	\$41,857,064,919	\$1,295,214,215,447	\$1,220,540,136,072

**APPENDIX B – Consolidated Liabilities, Surplus and Other Funds of Illinois-licensed  
Property/Casualty Insurers for the year ending December 31, 2006**

LIABILITIES, SURPLUS and OTHER FUNDS		Current Year	Prior Year
1	Losses	\$359,021,806,818	\$355,589,299,931
2	Reinsurance payable on paid losses and loss adjustment expenses	10,777,686,897	11,783,773,609
3	Loss adjustment expenses	75,510,604,344	72,506,635,338
4	Commissions payable, contingent commissions and other similar charges	4,935,725,783	4,690,013,807
5	Other expenses (excluding taxes, licenses and fees)	18,859,359,158	17,285,682,243
6	Taxes, licenses and fees (excluding federal and foreign income taxes)	4,762,371,369	4,572,672,251
7.1	Current federal and foreign income taxes (including \$(1) on realized capital gains (losses))	3,917,437,419	2,999,629,356
7.2	Net deferred tax liability	17,148,526,453	12,539,246,803
8	Borrowed money \$(1) and interest thereon \$(2)	1,972,399,077	1,860,662,025
9	Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$(1) and including warranty reserves of \$(2))	167,393,285,447	161,424,265,732
10	Advance premium	2,501,868,468	4,708,334,302
11.1	Stockholders (dividends declared and unpaid)	510,635,296	347,392,761
11.2	Policyholders (dividends declared and unpaid)	1,689,506,760	377,047,851
12	Ceded reinsurance premiums payable (net of ceding commissions)	21,208,268,585	23,766,998,683
13	Funds held by company under reinsurance treaties	27,521,922,276	30,681,678,993
14	Amounts withheld or retained by company for account of others	7,421,613,188	7,167,441,899
15	Remittances and items not allocated	1,475,568,530	1,082,152,734
16	Provision for reinsurance	5,132,635,473	5,484,258,384
17	Net adjustments in assets and liabilities due to foreign exchange rates	762,624,143	535,934,660
18	Drafts outstanding	3,431,909,320	4,710,250,418
19	Payable to parent, subsidiaries and affiliates	9,117,080,769	10,190,295,409
20	Payable for securities	4,108,743,442	3,393,803,465
21	Liability for amounts held under uninsured plans	1,605,265	2,128,504
22	Capital notes \$(1) and interest thereon \$(2)	-	-
23	Aggregate write-ins for liabilities	47,622,961,719	46,258,914,005
24	Total liabilities excluding protected cell liabilities	796,806,146,002	783,958,513,125
25	Protected cell liabilities	-	-
26	Total liabilities	796,806,146,002	783,958,513,125
27	Aggregate write-ins for special surplus funds	46,469,578,064	40,087,824,138
28	Common capital stock	4,621,861,844	4,586,633,627
29	Preferred capital stock	435,805,461	426,306,461
30	Aggregate write-ins for other than special surplus funds	59,477,302	84,004,716
31	Surplus notes	10,225,590,674	10,538,399,068
32	Gross paid in and contributed surplus	155,973,598,335	159,080,920,778
33	Unassigned funds (surplus)	281,933,716,146	223,683,258,492
34.1	(1) Shares common (value included in common capital stock \$(2)) (less treasury stock at cost)	1,302,634,572	1,902,713,869
34.2	(2) Shares preferred (value included in preferred capital stock \$(2)) (less treasury stock at cost)	8,923,853	7,436,292
35	Surplus as regards policyholders	498,408,069,400	436,577,197,125
36	Totals	\$1,295,214,215,384	\$1,220,535,710,258

**APPENDIX C – Consolidated Statement of Income for Illinois-licensed  
Property/Casualty Insurers for the year ending December 31, 2006**

<b>UNDERWRITING INCOME</b>		<b>Current Year</b>	<b>Prior Year</b>
1	Premiums earned	\$359,331,626,724	\$342,046,052,879
2	Losses incurred	191,391,031,253	211,464,390,281
3	Loss expenses incurred	42,949,684,867	45,182,345,605
4	Other underwriting expenses incurred	96,724,207,417	90,078,280,207
5	Aggregate write-ins for underwriting deductions	92,439,321	607,058,921
6	Total underwriting deductions	331,157,362,854	347,332,075,020
7	Net income of protected cells	-	-
8	Net underwriting gain (loss)	28,174,263,868	(5,286,022,151)
<b>INVESTMENT INCOME</b>			
9	Net investment income earned	51,033,395,295	44,738,173,473
10	Net realized capital gains (losses) less capital gains tax of \$(1)	2,401,087,220	8,559,446,745
11	Net investment gain (loss)	53,434,482,511	53,297,620,213
<b>OTHER INCOME</b>			
12	Net gain (loss) from agents' or premium balances charged off (amount recovered \$(1) amount charged off \$(2))	(994,425,751)	(1,275,680,316)
13	Finance and service charges not included in premiums	1,911,813,826	1,828,569,450
14	Aggregate write-ins for miscellaneous income	(498,461,372)	(552,249,742)
15	Total other income	418,926,691	639,384
16	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	82,027,673,061	48,012,237,451
17	Dividends to policyholders	2,540,039,606	1,040,313,811
18	Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	79,487,633,464	46,971,923,637
19	Federal and foreign income taxes incurred	18,188,098,492	7,707,052,750
20	Net income	61,299,534,973	39,264,870,891
<b>CAPITAL and SURPLUS ACCOUNT</b>			
21	Surplus as regards policyholders, December 31 prior year	436,577,197,283	398,865,438,173
22	Net income	61,299,534,973	39,264,870,891
23	Net transfers (to) from protected cell accounts	-	77,371
24	Change in net unrealized capital gains or (losses) less capital gains tax of \$(1)	28,677,652,352	3,252,136,350
25	Change in net unrealized foreign exchange capital gain (loss)	91,905,938	(261,165,495)
26	Change in net deferred income tax	214,115,692	48,174,570
27	Change in nonadmitted assets	(1,326,329,717)	(585,612,867)
28	Change in provision for reinsurance	350,216,679	285,364,177
29	Change in surplus notes	(305,474,510)	336,221,600
30	Surplus (contributed to) withdrawn from protected cells	-	-
31	Cumulative effect of changes in accounting principles	30,950,873	(906,478,814)
32.1	Capital changes paid in	51,789,111	27,834,970
32.2	Capital changes transferred from surplus (stock dividend)	5,940,806	4,616,970
32.3	Capital changes transferred to surplus	-	(1,176,467,600)
33.1	Surplus adjustments paid in	807,023,189	13,448,528,520
33.2	Surplus adjustments transferred to capital (stock dividend)	(5,634,286)	(7,687,084)
33.3	Surplus adjustments transferred from capital	(3,600,000)	1,116,764,160
34	Net remittances from or (to) home office	(74,637,449)	(41,162,431)
35	Dividends to stockholders	(27,549,143,250)	(15,225,109,597)
36	Change in treasury stock	598,591,736	20,854,285
37	Aggregate write-ins for gains and losses in surplus	(1,032,030,083)	(1,890,000,872)
38	Change in surplus as regards policyholders for the year	61,830,872,048	37,711,759,114
39	Surplus as regards policyholders, December 31 current year	\$498,408,069,329	\$436,577,197,277

**APPENDIX D – Consolidated Exhibit of Premiums and Losses in the State of Illinois for All Illinois-licensed Property/Casualty Insurers During 2006**

**EXHIBIT OF PREMIUMS AND LOSSES  
BUSINESS IN THE STATE OF ILLINOIS DURING THE YEAR 2006**

Line of Business		1 Direct Premiums Written	2 Direct Premiums Earned	3 Div. Paid or Credited to PolicyHldrs On Dir. Bus.	4 Direct Unearned Premium Reserves	5 Direct Losses Paid (deducting salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Dir. Def. And Cost Containment Expense Paid	9 Dir. Def. And Cost Containment Expense Incurred	10 Dir. Def. And Cost Containment Expense Unpaid	11 Commission & Brokerage Expenses	12 Taxes, Licenses And Fees
1	Fire	\$266,487,042	\$255,409,694	\$212,103	\$121,096,669	\$72,210,197	\$91,820,521	\$98,219,418	\$2,728,795	\$4,201,169	\$5,170,131	\$29,444,370	\$8,328,319
2.1	Allied lines	235,821,277	231,078,369	2,516,623	89,149,363	95,660,716	120,311,586	111,252,678	2,356,938	4,527,327	5,912,617	27,262,059	5,066,349
2.2	Multiple peril crop	423,218,799	422,282,309	-	5,902,703	143,670,289	82,976,301	60,380,206	730,530	1,531,270	1,741,125	60,874,941	2,274,016
2.3	Federal flood	24,665,828	23,020,947	-	12,553,252	3,643,362	4,305,951	850,860	78,408	84,839	17,313	3,120,222	173,991
3	Farmowners multiple peril	99,030,500	97,687,192	-	39,227,291	78,992,212	83,568,802	29,540,895	1,420,665	1,902,243	3,759,337	15,405,824	1,817,569
4	Homeowners multiple peril	2,280,974,161	2,245,616,960	2,623,634	1,193,625,479	1,301,896,199	1,386,511,631	578,069,958	27,379,569	28,507,369	62,853,408	314,594,036	37,532,829
5.1	Commercial mult peril (non-liab)	910,665,558	903,523,828	573,670	443,852,728	449,443,125	440,090,436	334,714,063	18,590,463	15,191,124	47,734,661	143,551,149	19,314,702
5.2	Commercial mult peril (liability)	603,133,209	595,060,097	136,680	279,376,039	234,591,741	263,479,782	1,017,968,365	97,924,008	118,472,804	371,046,095	97,461,302	9,040,800
6	Mortgage guaranty	250,741,389	255,667,004	-	24,017,008	67,768,678	91,998,599	445,028,271	2,239,768	2,865,347	4,003,684	519,785	9,542,036
8	Ocean marine	77,712,534	78,182,908	19,536	21,025,237	35,602,582	66,513,234	81,556,138	2,449,709	1,973,907	5,066,978	13,114,385	1,743,848
9	Inland marine	500,968,157	494,692,559	500,170	190,096,129	215,794,534	215,883,213	147,214,116	5,914,534	7,583,888	9,612,985	81,084,249	10,669,354
10	Financial guaranty	88,588,071	67,430,046	-	437,734,055	3,512,214	(4,418,612)	12,384,669	7,500,000	7,501,864	1,786,877	960	2,797,056
11	Medical malpractice	605,914,726	601,295,270	611,731	244,877,976	332,483,359	240,747,124	1,739,548,621	128,454,580	140,176,022	429,331,897	36,718,771	5,569,841
12	Earthquake	39,463,551	38,555,222	61,902	18,896,548	33,653	(1,341,000)	1,065,683	(5,286)	(45,707)	134,080	4,852,918	723,746
13	Group accident and health	143,202,690	121,640,164	-	154,428,119	122,121,713	126,825,088	199,085,632	787,029	721,388	918,240	38,346,265	1,508,677
14	Credit A&H (group and individual)	18,605,199	18,287,778	-	4,515,426	1,644,745	1,337,586	1,955,194	1	9,936	22,994	5,369,939	290,059
15.1	Collectively renewable A&H	1,308	1,308	-	167	-	(40,274)	251,770	-	-	-	36	13
15.2	Non-cancelable A&H	813	32,420	-	493,458	-	(367)	16,825	-	616	2,173	103	22
15.3	Guaranteed renewable A&H	86,608,622	64,351,651	-	274,773,495	56,215,328	58,608,937	84,886,471	320,199	470,707	338,054	8,043,290	110,818
15.4	Non-renewable for stated reasons only	11,825,815	12,862,832	2,750	3,396,259	11,549,066	10,563,671	10,138,283	99,948	(137,760)	161,627	949,472	372,860
15.5	Other accident only	15,601,785	15,558,308	898,171	718,493	8,732,412	7,214,321	3,417,127	24,789	22,347	4,161	2,171,200	119,937
15.6	All other A&H	8,356,241	8,520,910	-	1,856,307	4,596,421	3,882,854	3,349,650	222,715	265,023	223,282	1,186,705	144,898
15.7	Federal employees health benefits program premium	-	-	-	-	-	-	-	-	-	-	-	-
16	Workers' compensation	2,575,532,397	2,531,120,888	6,886,567	908,853,931	1,431,544,521	2,083,699,143	5,195,557,656	135,578,177	228,420,491	516,142,108	171,119,840	75,713,081
17	Other liability	2,954,143,882	2,885,428,050	1,837,371	1,551,860,050	2,312,986,783	1,704,600,729	7,907,752,040	339,478,989	312,176,164	1,473,047,155	237,457,900	58,517,955
18	Products liability	111,355,025	110,199,535	25,494	45,947,265	57,082,445	(16,921,784)	788,097,953	69,825,352	32,719,354	310,579,339	12,160,643	2,440,078
19.1	Private passenger auto no-fault (personal injury protection)	123,566	245,450	14,208	95,565	1,157,733	(1,932,190)	5,521,283	79,163	6,387	191,826	492,536	178,022
19.2	Other private passenger auto liability	3,062,236,205	3,065,996,121	3,662,175	883,637,370	1,844,451,410	1,811,633,430	2,413,116,532	143,919,644	170,713,919	398,951,296	337,630,703	44,545,166
19.3	Commercial auto no-fault (personal injury protection)	26,562	48,352	-	21,415	253,892	96,525	529,853	(1,641)	(38,945)	43,787	(72,293)	4,857
19.4	Other commercial auto liability	877,726,898	881,725,820	339,755	346,671,071	433,827,557	431,918,479	1,208,294,610	50,144,088	43,761,909	143,595,517	113,707,217	18,131,636
21.1	Private pass auto phys dam	2,502,823,982	2,500,526,475	2,930,178	712,081,432	1,423,454,664	1,405,700,018	107,402,345	13,436,280	11,952,069	8,938,163	254,349,759	38,866,609
21.2	Commercial auto physical damage	299,195,851	303,332,175	83,580	124,149,484	152,181,967	157,701,424	35,100,066	2,904,672	3,445,721	4,437,677	39,242,924	5,595,182
22	Aircraft (all perils)	87,480,695	89,257,698	-	33,694,834	20,691,133	15,261,436	819,609,141	19,474,307	20,244,105	67,843,354	8,446,201	2,117,177
23	Fidelity	75,440,732	77,225,052	1,801	42,465,798	23,046,350	20,912,041	75,764,440	1,594,957	(1,421,244)	9,389,892	6,395,306	1,724,579
24	Surety	170,226,049	169,011,814	880	100,058,255	53,145,022	87,530,442	151,039,631	5,963,649	8,299,059	15,534,612	40,368,928	5,156,682
26	Burglary and theft	8,340,013	7,786,708	12,733	3,884,317	424,201	1,103,999	4,748,168	31,590	145,277	421,692	2,065,178	205,523
27	Boiler and machinery	50,967,136	50,763,040	5,610	23,751,989	9,922,519	11,835,083	17,758,811	208,628	239,544	846,784	5,170,410	1,347,227



**APPENDIX D – Consolidated Exhibit of Premiums and Losses in the State of Illinois for All Illinois-licensed  
Property/Casualty Insurers During 2006**

28	Credit	56,285,600	49,376,896	-	20,967,142	10,928,251	16,431,890	28,159,226	163,034	233,243	551,157	9,002,371	1,216,780
33	Aggregate write-ins	378,683,125	393,095,971	900,621	659,682,365	273,426,448	315,044,041	258,172,037	3,314,995	7,800,695	8,233,301	11,173,282	2,736,883
34	Totals	\$19,902,174,981	\$19,665,897,792	\$24,857,942	\$9,019,434,470	\$11,288,687,433	\$11,335,454,082	\$23,977,518,666	\$1,085,333,213	\$1,174,523,448	\$3,908,589,358	\$2,132,782,853	\$375,639,171

**APPENDIX E – Consolidated Insurance Expense Exhibit Part III for all Illinois-licensed Property/Casualty Insurers for 2006**

**PART III – ALLOCATION TO LINES OF DIRECT BUSINESS WRITTEN**  
(\$000 omitted)

PREMIUMS, LOSSES, EXPENSES, RESERVES AND PROFITS FOR DIRECT BUSINESS WRITTEN		Premiums Written	Premiums Earned	Dividends To Policy- Holders	Incurred Loss	Defense And Cost Containment Expenses Incurred	Adjustment and Other Expenses Incurred	Unpaid Losses	Defense And Cost Containment Expenses Unpaid	Adjustment and Other Expenses Unpaid	Unearned Premium Reserves	Agents' Balances
01	Fire	\$7,018,685	\$6,718,975	\$9,865	\$2,851,708	\$81,806	\$356,209	\$3,741,014	\$185,684	\$119,000	\$3,598,456	\$1,372,932
02.1	Allied lines	6,060,786	5,744,521	10,446	1,613,332	133,616	236,850	5,790,015	231,545	127,879	2,563,901	959,302
02.2	Multiple peril crop	4,716,341	4,621,683	-	2,930,167	11,212	38,788	846,502	9,411	7,648	339,767	903,011
02.3	Federal flood	1,865,495	1,704,443	-	1,692,017	29,586	(32,641)	691,363	1,797	99,582	992,814	146,894
03	Farmowners multiple peril	1,234,771	1,213,040	-	667,993	28,018	69,228	401,404	49,932	38,668	579,185	253,569
04	Homeowners multiple peril	44,687,090	43,382,126	162,374	21,550,309	539,124	3,333,589	11,600,941	1,276,209	1,673,330	23,677,924	7,377,485
05.1	Commercial multiple peril (non-liability portion)	17,848,677	17,539,986	14,165	7,658,490	329,609	641,144	8,216,747	1,265,758	570,923	8,619,477	3,812,990
05.2	Commercial multiple peril (liability portion)	11,702,037	11,466,332	9,278	5,023,323	2,228,415	614,089	18,483,430	6,800,095	1,062,827	5,390,884	2,704,164
06	Mortgage guaranty	5,302,243	5,267,938	-	2,181,460	46,114	50,415	7,684,057	67,257	41,963	640,044	264,129
08	Ocean marine	3,280,484	3,181,764	3,269	1,983,753	85,173	122,112	3,426,736	279,706	88,445	1,088,395	681,328
09	Inland marine	12,234,170	11,975,543	12,615	5,434,330	74,760	334,711	4,450,292	234,827	248,077	4,516,550	2,239,811
10	Financial guaranty	3,264,528	2,625,519	-	207,840	29,770	1,521	354,730	20,381	1,240	12,936,919	69,542
11	Medical malpractice	5,436,022	5,395,628	29,431	2,038,128	1,391,285	250,941	12,320,759	3,980,333	435,754	2,305,491	1,070,796
12	Earthquake	1,270,714	1,202,780	2,507	3,742	(3,891)	24,836	247,611	15,038	15,269	626,429	189,424
13	Group A & H	3,568,462	3,359,004	-	1,697,347	44,754	85,014	2,181,573	44,652	126,124	1,285,036	850,248
14	Credit A & H	479,351	479,190	-	39,445	229	2,536	53,239	512	3,944	66,209	46,622
15	Other A & H	3,168,703	2,535,393	1,221	1,542,564	33,130	108,241	1,813,079	14,518	127,833	5,248,474	707,215
16	Workers' compensation	35,902,875	35,766,257	498,046	21,073,289	2,779,848	2,163,892	84,907,797	7,749,149	3,756,050	10,772,971	9,814,236
17	Other liability	40,152,466	38,709,521	33,253	20,692,942	5,541,075	1,612,368	93,363,251	18,630,991	3,196,362	19,925,853	8,730,721
18	Products liability	2,953,258	2,917,024	600	679,742	699,994	251,293	12,610,474	4,727,358	569,013	1,237,674	595,816
19.1	Private passenger auto liability	72,623,239	72,572,037	988,500	43,017,690	2,695,320	7,137,037	60,869,296	7,849,053	5,302,050	21,432,069	11,536,474
19.3	Commercial auto liability	18,070,461	17,990,064	36,916	9,457,876	927,025	1,117,601	22,063,521	2,584,865	1,121,195	7,899,543	4,344,897
21.1	Private passenger auto physical damage	49,800,912	49,662,541	727,576	27,468,202	164,795	4,649,111	2,286,226	165,835	1,196,803	14,629,484	7,937,642
21.2	Commercial auto physical damage	6,057,376	6,063,366	29,871	3,087,080	65,530	419,579	724,572	102,028	103,906	2,661,048	1,331,252
22	Aircraft (all perils)	2,935,387	2,976,915	-	1,039,934	166,706	53,718	4,291,868	438,732	43,372	973,455	487,971
23	Fidelity	1,250,540	1,253,913	319	465,477	29,659	49,893	1,222,080	142,506	46,231	705,407	275,668
24	Surety	4,661,768	4,371,229	41,146	795,726	246,685	96,439	3,028,598	438,922	142,985	2,595,118	604,430
26	Burglary and theft	196,971	183,570	39	28,274	(532)	1,514	60,318	7,363	1,901	77,009	25,344
27	Boiler and machinery	1,166,089	1,150,372	102	404,245	10,412	40,745	447,722	29,863	36,556	543,690	217,832
28	Credit	1,259,683	963,528	6	415,857	3,616	6,919	369,773	6,203	2,815	1,188,844	125,323
29	International	34,748	37,319	-	38,227	5,141	6,359	54,690	818	884	10,756	2,008
33	Aggregate write-ins for other lines of business	3,823,415	4,114,429	8,490	2,699,480	28,102	77,355	4,586,711	152,847	70,006	7,040,939	361,005
34	Total	\$374,027,747	\$367,145,940	\$2,620,027	\$190,479,972	\$18,446,097	\$23,921,405	\$373,190,408	\$57,504,205	\$20,378,658	\$166,169,810	\$70,040,104

APPENDIX E (continued) – Consolidated Insurance Expense Exhibit Part III for all Illinois-licensed Property/Casualty Insurers for 2006

**PART III – ALLOCATION TO LINES OF DIRECT BUSINESS WRITTEN**  
(\$000 omitted)

PREMIUMS, LOSSES, EXPENSES, RESERVES AND PROFITS FOR DIRECT BUSINESS WRITTEN		Commission And Brokerage Expenses Incurred	Taxes, Licenses and Fees Incurred	Other Acquisitions, Field Supervision and Collection Expenses Incurred	General Expenses Incurred	Other Income Less Other Expenses	Pre-tax Profit or Loss Excluding all Investment Gain
01	Fire	\$813,212	\$195,024	\$393,686	\$489,413	\$(37,781)	\$1,490,256
02.1	Allied lines	591,254	165,482	339,502	459,739	111	2,194,406
02.2	Multiple peril crop	418,950	10,263	(26,827)	154,397	14,655	1,099,386
02.3	Federal flood	303,056	34,994	21,957	(17,442)	4,006	(323,076)
03	Farmowners multiple peril	215,072	25,163	218,739	320,550	71,861	(259,853)
04	Homeowners multiple peril	6,057,168	1,080,617	3,585,225	2,402,316	271,611	4,943,021
05.1	Commercial multiple peril (non-liability portion)	2,884,813	463,373	1,149,856	1,002,298	(47,561)	3,348,658
05.2	Commercial multiple peril (liability portion)	1,956,089	265,595	756,855	717,858	(12,416)	(117,581)
06	Mortgage guaranty	8,745	135,904	250,023	662,078	14,376	1,947,572
08	Ocean marine	490,678	49,100	140,810	197,150	(64,031)	45,675
09	Inland marine	1,764,799	306,218	548,389	549,313	(113,245)	2,837,185
10	Financial guaranty	111	76,533	388,515	403,654	24,104	1,541,682
11	Medical malpractice	424,180	111,113	123,570	347,710	(2,931)	676,337
12	Earthquake	133,802	27,709	85,649	87,948	10,150	850,610
13	Group A & H	631,436	77,746	95,670	14,649	(122,269)	590,113
14	Credit A & H	146,244	12,850	29,524	29,678	2,525	221,202
15	Other A & H	405,579	31,063	133,511	247,306	(105,543)	(72,772)
16	Workers' compensation	2,503,398	1,744,418	1,636,999	1,378,368	(718,760)	1,269,237
17	Other liability	4,827,385	923,403	1,960,810	1,816,788	(693,257)	608,259
18	Products liability	337,388	62,812	174,351	219,683	(20,767)	470,397
19.1	Private passenger auto liability	6,239,296	1,711,722	5,552,977	4,186,790	236,754	1,279,465
19.3	Commercial auto liability	2,451,204	482,570	955,770	1,033,203	(85,194)	1,442,713
21.1	Private passenger auto physical damage	4,285,764	1,140,056	3,779,805	2,772,747	164,033	4,838,522
21.2	Commercial auto physical damage	830,141	147,732	393,314	402,370	(27,032)	660,697
22	Aircraft (all perils)	360,869	54,952	111,140	75,296	(106,026)	1,008,274
23	Fidelity	118,422	22,371	114,910	93,219	(21,606)	338,027
24	Surety	1,089,402	127,683	404,157	370,267	(21,718)	1,178,005
26	Burglary and theft	45,971	4,556	9,684	10,229	(1,109)	82,712
27	Boiler and machinery	95,777	33,847	109,110	113,322	(7,758)	335,035
28	Credit	302,127	31,592	35,428	89,791	19,006	97,210
29	International	2,181	613	2,913	7,923	(92)	(26,132)
33	Aggregate write-ins for other lines of business	433,439	75,980	(20,357)	(8,258)	(165,719)	654,486
34	Total	\$41,167,972	\$9,633,095	\$23,455,660	\$20,630,383	\$(1,541,616)	\$35,249,746

# APPENDIX F – Consolidated Schedule T for all Property/Casualty Insurers for 2006

## SCHEDULE T – EXHIBIT OF PREMIUMS WRITTEN

### Allocated by States and Territories

States, Etc.	Gross Direct Premiums Written	Gross Direct Premiums Earned	Dividends Paid Or Credited To Policyholders On Direct Business	Direct Losses Paid (deducting salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance And Service Charges Not Included in Premiums	Direct Premiums Written For Federal Purchasing Groups (Incl. in Column 2)
1 Alabama AL	\$6,593,509,778	\$6,424,570,243	\$22,025,479	\$4,101,077,425	\$3,472,027,582	\$5,680,678,993	\$48,662,785	\$35,121,828
2 Alaska AK	1,525,382,807	1,502,481,875	7,043,406	567,884,269	605,235,300	1,374,880,884	4,598,935	3,010,294
3 Arizona AZ	8,896,245,252	8,640,224,610	79,006,069	4,210,881,795	4,590,365,765	8,296,195,121	54,563,559	22,547,616
4 Arkansas AR	3,913,013,162	3,865,847,093	4,710,760	2,131,569,849	2,227,445,419	2,865,646,721	24,319,639	11,795,921
5 California CA	63,368,913,917	62,224,278,876	337,453,111	27,104,307,140	28,599,638,853	70,368,844,574	360,865,316	212,515,713
6 Colorado CO	8,319,872,253	8,310,347,294	89,707,083	3,766,049,110	4,063,787,876	7,014,122,095	48,572,459	19,681,327
7 Connecticut CT	7,052,257,566	6,957,638,608	31,883,048	3,567,463,375	3,505,634,543	8,977,413,686	46,154,603	34,172,385
8 Delaware DE	2,363,454,308	2,295,425,684	279,831,407	1,055,848,268	1,028,060,039	2,533,196,859	9,551,850	21,726,368
9 Dist. Columbia DC	1,533,872,242	1,486,049,811	4,886,953	478,470,320	469,293,177	1,605,676,394	4,795,514	7,235,870
10 Florida FL	39,045,047,645	37,120,565,460	159,874,936	21,959,363,622	17,074,468,857	29,483,900,277	149,046,348	83,504,980
11 Georgia GA	13,905,368,004	13,557,823,639	27,567,628	7,106,645,590	7,357,590,089	10,861,839,345	97,407,580	28,603,111
12 Hawaii HI	2,325,191,918	2,252,327,595	6,753,377	754,535,402	916,868,914	1,938,683,938	9,118,825	10,411,486
13 Idaho ID	2,094,495,442	2,041,947,955	23,744,176	950,977,504	1,065,577,645	1,613,888,824	12,716,307	6,169,753
14 Illinois IL	21,153,913,086	20,923,197,400	25,502,594	11,854,654,300	11,789,495,330	26,234,963,186	92,622,466	137,470,655
15 Indiana IN	8,513,228,629	8,441,400,786	6,185,697	5,486,981,741	6,167,205,425	6,799,040,540	64,637,334	75,194,289
16 Iowa IA	4,572,068,931	4,512,628,395	24,445,320	1,974,500,140	2,135,491,305	3,163,229,875	26,564,945	64,583,712
17 Kansas KS	4,540,293,274	4,450,914,090	9,477,616	2,651,996,275	2,823,664,636	2,913,565,631	24,006,828	20,008,727
18 Kentucky KY	5,805,688,334	5,768,665,484	5,921,011	2,981,953,700	3,163,722,887	5,819,601,582	40,119,905	19,226,784
19 Louisiana LA	8,751,785,604	8,276,592,329	29,496,458	14,716,965,355	3,879,617,340	12,595,549,906	48,672,442	18,742,584
20 Maine ME	1,972,938,739	1,951,524,935	16,443,296	865,551,457	875,507,724	1,846,951,883	14,403,179	5,003,815
21 Maryland MD	9,264,752,915	9,067,173,316	34,594,306	4,318,874,256	4,651,263,146	8,276,914,021	45,870,962	28,795,722
22 Massachusetts MA	11,883,118,794	11,814,144,690	27,887,344	5,334,800,049	5,423,352,072	12,333,107,815	103,457,103	36,184,683
23 Michigan MI	15,416,701,853	15,802,432,586	27,594,501	8,600,485,979	9,075,880,876	25,263,872,400	93,001,134	51,946,102
24 Minnesota MN	8,670,261,228	8,597,927,757	18,315,974	4,443,957,563	4,539,416,614	7,774,129,161	37,552,549	59,371,744
25 Mississippi MS	4,172,742,899	4,005,209,942	3,654,215	5,383,116,564	2,210,491,314	4,564,364,862	24,590,658	19,883,821
26 Missouri MO	9,054,591,831	8,948,383,133	16,243,282	5,804,691,603	6,333,190,858	7,810,688,706	52,813,921	28,654,910
27 Montana MT	1,557,813,818	1,519,070,550	2,369,918	772,399,800	802,558,067	1,230,399,873	7,946,451	17,901,713
28 Nebraska NE	3,171,841,996	3,137,476,080	8,220,612	1,415,942,377	1,455,396,899	2,254,275,474	13,562,300	41,970,419
29 Nevada NV	4,594,929,457	4,437,235,564	9,319,319	2,320,623,148	2,549,540,816	5,386,834,397	29,339,790	12,379,519
30 New Hampshire NH	2,155,238,304	2,110,795,413	10,477,334	1,040,154,221	1,114,064,860	2,005,163,491	12,197,387	5,990,897
31 New Jersey NJ	17,356,690,482	17,102,031,685	312,284,162	8,621,293,357	9,653,372,191	24,925,193,932	68,493,828	72,129,501
32 New Mexico NM	2,565,278,767	2,493,181,305	5,238,517	1,191,967,951	1,266,138,410	1,882,863,589	17,341,266	6,335,222
33 New York NY	36,439,188,759	35,930,246,897	258,319,832	18,927,718,942	18,842,297,492	59,332,581,256	201,155,276	211,296,600
34 North Carolina NC	11,813,382,600	11,563,112,185	26,736,551	5,671,775,321	6,114,430,246	8,689,487,586	76,610,448	25,625,293
35 North Dakota ND	1,306,198,329	1,299,251,769	628,653	641,275,134	615,510,147	494,723,068	4,720,643	80,321,350
36 Ohio OH	13,344,465,420	13,346,356,514	11,333,946	6,589,048,107	6,487,615,613	11,226,404,751	133,451,897	89,126,792
37 Oklahoma OK	5,249,112,686	5,105,509,177	8,972,315	2,506,296,053	2,634,730,211	3,426,035,159	35,949,048	16,009,168
38 Oregon OR	5,433,205,400	5,312,729,671	9,748,950	2,637,234,371	3,032,796,571	6,944,181,739	28,512,243	13,002,699
39 Pennsylvania PA	19,992,470,063	19,610,822,321	57,029,401	10,314,131,894	10,658,021,637	25,077,752,658	133,780,668	57,238,970
40 Rhode Island RI	1,942,407,049	1,935,186,343	26,103,350	938,292,874	1,005,303,754	2,063,969,300	11,792,659	13,442,716
41 South Carolina SC	6,589,049,457	6,358,936,115	12,683,100	3,026,708,655	3,221,554,673	4,340,684,616	53,457,025	12,441,069
42 South Dakota SD	1,458,693,255	1,444,903,389	2,957,515	927,100,749	1,022,913,627	964,452,263	6,100,576	36,225,254
43 Tennessee TN	8,390,648,083	8,231,678,278	23,758,901	4,646,901,426	4,913,687,311	7,029,930,965	58,408,081	21,715,628
44 Texas TX	34,746,637,317	33,611,222,684	233,208,244	17,516,654,408	16,728,282,522	27,409,086,198	155,462,339	268,056,326
45 Utah UT	3,277,095,348	3,195,037,250	45,739,673	1,385,783,009	1,610,054,119	2,792,104,074	18,737,984	6,837,892
46 Vermont VT	1,111,180,310	1,111,432,766	3,050,265	463,175,389	535,649,463	1,000,375,278	7,559,151	3,482,481
47 Virginia VA	10,620,968,673	10,443,691,466	46,985,533	4,916,952,620	5,408,319,873	8,269,720,410	92,800,352	90,986,205
48 Washington WA	8,827,922,091	8,632,669,868	17,868,675	4,285,056,233	4,875,662,085	7,164,923,801	50,767,524	21,974,134
49 West Virginia WV	3,082,167,795	3,069,854,825	1,705,976	1,261,403,964	1,744,956,966	2,272,453,640	13,025,980	5,866,286
50 Wisconsin WI	8,023,346,254	7,975,441,265	124,382,392	4,461,267,788	4,912,006,559	7,843,928,751	38,471,657	25,948,699
51 Wyoming WY	836,191,959	817,310,502	1,025,151	349,118,332	427,596,344	488,608,920	4,419,851	1,687,708
52 American Samoa AS	351,153	257,681	155	125,043	(96,484)	(78,679)	-	-
53 Guam GU	118,265,123	119,293,451	178,179	70,934,734	76,160,038	25,316,468	2,464	1,428
54 Puerto Rico PR	2,039,583,143	2,020,181,018	304,174	781,576,204	863,983,846	1,133,041,875	1,235,168	719,589
55 U.S. Virgin Islands VI	90,260,128	84,809,628	95,775	25,621,615	23,757,437	54,316,100	42,876	65,999
56 Northern Mariana Islands MP	4,847,115	4,885,833	1,354	2,386,788	2,420,885	1,075,620	435	-
57 Canada CN	4,297,270,610	4,209,733,374	56,051	2,025,650,526	2,278,938,880	3,911,990,576	5,664,647	6,618
58 Aggregate other alien OT	7,885,962,117	7,607,569,693	1,275,806	3,010,191,774	2,662,876,122	6,477,069,023	594,606	-
59 Totals	\$503,031,373,430	\$493,081,638,083	\$2,582,308,822	\$264,918,365,354	\$255,584,794,706	\$514,130,413,333	\$2,820,291,691	\$2,221,350,370



Requests for copies of this report or questions regarding any information contained in this report should be directed to the Cost Containment Section, Division of Insurance, Illinois Department Financial and Professional Regulation, 320 W. Washington, Springfield IL 62767-0001. Phone (217) 785-2228; Fax (217) 782-2244. Printed by the authority of the State of Illinois. Printed in-house.

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